

Sunset Public Hearing Questions for  
**Southern States Nuclear Compact**  
and the  
**Southern States Energy Board**

Created by Section 68-202-601, Tennessee Code Annotated  
(Sunset Termination June 2013)

1. ***Provide a brief introduction to the Southern States Nuclear Compact, including information about its mission, purposes and duties. Who, in Tennessee has the primary responsibility for execution of provisions of the compact?***

The Southern States Nuclear Compact, known today as the Southern States Energy Compact, is a non-profit interstate compact organization created in 1960 and established under Public Laws 87-563 and 92-440. As stated in the compact legislation, the Southern States Energy Board (SSEB) acts as an agency of the party states. Member states include: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands. The Board is comprised of three members from each party state who have primary responsibility for execution of provisions of the compact: the Governor, a member of the State Senate and a member of the State House of Representatives. In addition, any member of the Board may provide for the discharge of his duties and the performance of his functions by appointing an alternate to the Board. In Tennessee, the governor has historically appointed an alternate.

A governor serves as chairman and legislators serve as vice-chair and treasurer. The current chair is Governor Mary Fallin of Oklahoma. The vice-chair is State Representative Rocky Adkins of Kentucky. State Representative Myra Crownover of Texas serves as the treasurer. Ex-officio, non-voting board members include a federal representative appointed by the President, the Southern Legislative Conference Energy and Environment Committee Chair and SSEB's executive director, who serves as secretary.

SSEB was created by state law and consented to by Congress with a broad mandate to contribute to the economic and community well-being of the citizens of the southern region. The Board exercises its mandate through the creation of programs in the fields of energy and environmental policy research, development and implementation, science and technology exploration and related areas of concern.

The Board's mission is to enhance economic development and the quality of life in the South through innovations in energy and environmental policies, programs and technologies. As an institution that has led to economic growth in the South, SSEB endeavors to reach the goal of sustainable development by implementing strategies that support its mission. SSEB develops, promotes and recommends policies and programs that protect and enhance the environment without compromising the needs of future generations.

2. ***Describe the relationship between the Southern States Nuclear Compact and the Southern States Energy Board.***

The Southern States Energy Board is a non-profit interstate compact organization dedicated to providing southern states with technical, administrative, legal and policy expertise and advice on energy and environmental affairs. Founded by the southern

governors 52 years ago, the Board was formally established on September 25, 1961, in Nashville, Tennessee. Later in 1961, Tennessee enacted the Board into state law as the Southern States Nuclear Compact under Tennessee Code Annotated Section 68-23-601, et seq. Public Law 87-563, enacted in 1962, granted federal consent to the compact.

Originally dedicated to nuclear issues and named the Southern Interstate Nuclear Board, the Board's purview expanded into other energy and environmental issues. The name was changed to the Southern States Energy Board (SSEB) to reflect this broader scope and purpose in the late 1970s. The state of Tennessee changed the name and purview within the Tennessee Code Annotated in 1980.

3. ***Article II (a) provides that the Southern States Energy Board shall be comprised of three members from each party state, one member being appointed by each of the following: The Governor, the Senate and the House of Representatives. Who are these three appointees, when were they appointed and when do their terms expire?***

Governor's Alternate – Mr. Mark Cate, Special Assistant and Policy Advisor to Gov. Haslam; Appointed by Gov. Haslam on October 6, 2011; a change in the appointment may be upon review of the governor or upon a change in the office holder.

Senate Appointee – Senator Mark Norris, Majority Leader, Tennessee Senate; Appointed by Lt. Gov. Ron Ramsey on February 3, 2009; a change in the appointment may be upon review of the lieutenant governor or upon a change in the office holder.

House of Representatives Appointee – Representative John Ragan, House District-33; Appointed by Speaker Beth Harwell on April 28, 2011; Term expires on November 6, 2012, pursuant to correspondence from Speaker Harwell.

4. ***Article II (b) provides that each member state has one vote on the Board, determined by majority vote of the three members from the member state, or majority vote of those present and voting. How often is the vote of the Tennessee delegation not a unanimous vote? Provide example of instances where the vote has not been unanimous. What were the issues involved?***

Each year the Board conducts an annual meeting. During the business session of SSEB's annual meeting, a financial report and budget are presented by the SSEB Treasurer for approval by the Board. In addition, Board members may present policy positions for approval. Historically, the Tennessee Board members have voted unanimously on all issues and matters presented to the Board.

5. ***What other states have entered into the compact with Tennessee? Have any of the 17 states enumerated in Article VIII (a) of the compact as eligible states, not entered into the compact? If so, which ones and what is known of their reasons for not entering into the compact?***

Sixteen southern states and two territories comprise the membership of SSEB. The compact members are: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, U.S. Virgin Islands, Virginia and West Virginia.

6. ***Have any party states withdrawn from the compact or filed notice of their intentions to withdraw under the provisions of Article VIII(c)? If so, which states and what were their stated reasons for withdrawing?***

No party state has withdrawn from the compact under the provisions of Article VIII(c).

7. ***Article II (k) requires the Board to file an annual report with the Governor of each member state, with copies to each state's legislature. Have annual reports been filed? If so, please attach a copy of the last report. Have other reports been issued as authorized? If so, please attach a copy of each report issued during the period beginning July 1, 2009 and ending June 30, 2011.***

Yes, each year the annual report is presented to the governors and state legislators at the Board's annual meeting. Governors and state legislative members not attending the annual meeting receive the report by mail. In addition, SSEB mails the annual report to other interested parties such as state energy, environmental and economic development officials. Upon completion of the Board's annual audit which includes an A-133 audit, copies of the audited financial report are mailed to each Board member.

SSEB publishes a number of issue-specific reports, primers and guidebooks. Each year's list of publications is included in the annual report. Many of the publications as well as the annual report are available on SSEB's website -- [www.sseb.org](http://www.sseb.org). Please see the attached annual reports and financial reports for 2009-2011.

8. ***What is the cost to Tennessee for the state to participate in the compact and what types of expenses are involved?***

The annual appropriation for Tennessee is **\$34,267**. Each member's share of support is determined by a formula written into the original compact. The formula uses relative state population, per capita income and equal shares as factors. Tennessee's appropriation to the Board is based on \$8,285 for population, \$8,657 for per capita income and \$17,325 for the equal share. The amount of the annual appropriation has not changed since 1987.

No additional expenses are necessary beyond the state appropriation.

9. ***Article III(a) and (b) require the Board to submit a budget to the executive head or designated officer of each state, the budget to "contain specific recommendations of the amount or amounts to be appropriated by each of the party states." Please attach the budgets forwarded during the last two fiscal years and describe how the amount apportioned to Tennessee complies with the apportionment provisions contained in Article III (b).***

The annual budget is based on projected state appropriations, federal funding, associate membership dues and project/event specific sponsorships. *(Please see the budgets for FY2011 and FY2012 on the following pages.)*

Projected revenues for state appropriations are based on an equal share from each state, per capita income and population. SSEB projects the total annual appropriation funding based on the state appropriation schedule. The Board has not requested an increase in state appropriations since 1987. *(The State Appropriation Schedule is provided below the budget information.)*

The budget for each fiscal year is presented by the SSEB Treasurer at the SSEB annual meeting. The SSEB members vote to approve the proposed budget for the upcoming fiscal year.

**SSEB FY2011 Budget, Adopted September 16, 2010**

<b>SOUTHERN STATES ENERGY BOARD</b>					
<b>PROPOSED BUDGET: JULY 1, 2010 THROUGH JUNE 30, 2011</b>					
<b>DIRECT COSTS</b>					
State Services				\$357,383	
Federal Projects				\$425,000	
Administrative, Operating and Indirect Costs				\$1,296,997	
50th Annual Meeting				\$243,313	
<b>TOTAL DIRECT AND INDIRECT COSTS</b>					<b>\$2,322,693</b>
<b>PROJECTED INCOME</b>					
State Appropriations				\$570,000	
Associate Members				\$70,000	
Carbon Sequestration Membership				\$100,000	
Federal Contracts/Grants/Special Projects				\$1,357,693	
(Direct Labor and Indirect Costs)					
50th Annual Meeting Sponsorships and Registration fees				\$225,000	
<b>TOTAL PROJECTED INCOME</b>					<b>\$2,322,693</b>
<i>Please Note: Projected State SubGrants for SECARB and WIPP are not included in the proposed budget for FY2010-2011</i>					



**SSEB Budget, FY2012 Budget, Adopted October 15, 2011**

<b>SOUTHERN STATES ENERGY BOARD</b>						
<b>PROPOSED BUDGET: JULY 1, 2011 THROUGH JUNE 30, 2012</b>						
<b>DIRECT COSTS</b>						
State Services					\$385,378	
Federal Projects					\$450,000	
Administrative, Operating and Indirect Costs					\$1,222,347	
51st Annual Meeting					\$195,000	
<b>TOTAL DIRECT AND INDIRECT COSTS</b>						<b>\$2,252,725</b>
<b>PROJECTED INCOME</b>						
State Appropriations					\$570,000	
Associate Members					\$78,000	
Carbon Sequestration Membership					\$100,000	
Federal Contracts/Grants/Special Projects					\$1,389,725	
(Direct Labor and Indirect Costs)						
51st Annual Meeting Sponsorships and Registration fees					\$115,000	
<b>TOTAL PROJECTED INCOME</b>						<b>\$2,252,725</b>
<i>Please Note: Projected State SubGrants for SECARB and WIPP are not included in the proposed budget for FY2011-2012</i>						

STATE APPROPRIATION SCHEDULE				
STATE	POPULATION	PER CAPITA INCOME	EQUAL SHARE	PROPOSED PAYMENT
	25% of total	25% of total	50% of total	
Alabama	\$7,040	\$8,207	\$17,325	\$32,572
Arkansas	\$5,645	\$8,057	\$17,325	\$31,027
Florida	\$19,310	\$10,577	\$17,325	\$47,212
Georgia	\$8,810	\$9,647	\$17,325	\$35,782
Kentucky	\$6,545	\$8,327	\$17,325	\$32,197
Louisiana	\$7,820	\$8,672	\$17,325	\$33,817
Maryland	\$7,655	\$12,212	\$17,325	\$37,192
Mississippi	\$4,685	\$7,067	\$17,325	\$29,077
Missouri	\$8,735	\$10,187	\$17,325	\$36,247
North Carolina	\$10,775	\$8,942	\$17,325	\$37,042
Oklahoma	\$5,828	\$9,359	\$17,325	\$32,512
Puerto Rico	\$5,780	\$2,492	\$17,325	\$25,597
South Carolina	\$5,900	\$8,147	\$17,325	\$31,372
Tennessee	\$8,285	\$8,657	\$17,325	\$34,267
Texas	\$27,695	\$10,382	\$17,325	\$55,402
U.S. Virgin Islands	\$2,015	\$5,957	\$17,325	\$25,297
Virginia	\$9,845	\$11,192	\$17,325	\$38,362
West Virginia	\$3,560	\$7,847	\$17,325	\$28,732
<b>TOTALS</b>	<b>\$155,928</b>	<b>\$155,928</b>	<b>\$311,850</b>	<b>\$623,706</b>
FORMULA				
50 percent of the total budget is divided equally among the member states				
25 percent of the total budget is based on the relation of the population for that state to the entire region				
25 percent of the total budget is based on the relation of the relative average per capita income of that state to the entire region.				

10. ***Article III (d) requires that the Board keep accurate accounts of all receipts and disbursements and the accounts be audited yearly by a qualified public accountant and the audit made a part of the Board's annual report referenced in question 7 above. Is the audit report always a part of the annual report? Article III (e) requires the accounts of the Board to be open at any reasonable time for inspection. Are they and, if so, where?***

The annual audit for SSEB is normally performed in the months of July and August. This schedule ensures that we have pertinent data to report to the Board during the annual meeting. However, the final audit reports are not completed by the auditing agency until late September or October. Therefore, the final audit report is not included in the annual report that is issued at the Board meeting when it is held in August/September. However, there is a financial statement that is an accurate representation of the Board's financial position at the end of the fiscal year which is presented at the annual meeting. The final audit reports are mailed to all Board members upon receipt from the auditing agency.

Our accounting records are considered public information and open to anyone during normal business hours. The records are located at our business office in Norcross, Georgia.

11. ***Article V details the powers of the Southern States Energy Board. Please describe the activities of the Board thus far and how those activities are related to the powers of the Board.***

SSEB conducts numerous activities related to the powers set forth under Article V of the compact. The following list entails general activities that the Board uses that comply with its legislative powers.

- Advisory Committees
- Industry Consortia and Partnerships
- Public/Private Coalitions
- Peer Matching and Professional Development
- Memorandums of Understanding
- State Regulatory Processes
- Federal Regulatory Processes
- Technical and Policy Analysis
- Site Support for Demonstration Projects
- Regulatory Review of New and Innovative Technologies for Commercialization
- Training State Environmental Regulators
- Training Industry Environmental Managers
- Information Dissemination

SSEB projects are designed to comply with the powers of the Board and its mission. The Board operates and oversees a wide variety of energy and environment programs. Topics from water use to carbon sequestration, biomass to nuclear waste transportation, legislative and regulatory action to energy independence and security fall under the purview of SSEB. In return for appropriations rendered by its members, the Southern States Energy Board provides value-added services through a number of projects that also provide funding to its members including, but not limited to the following:

***Southeast Regional Carbon Sequestration Partnership (SECARB)*** - SECARB is a \$300 million program established in 2003 and managed by SSEB with the primary goal of identifying major sources of carbon emissions, characterizing the geology of a 13-state region, determining the most promising options for commercial deployment of carbon dioxide (CO<sub>2</sub>) sequestration technologies in the South, and validating the technology options through carefully executed field testing through 2017. More than 350 entities in the South are participating in this effort, including the Tennessee Valley Authority, the Tennessee Energy Division and Oak Ridge National Laboratory. For more information, please visit [www.secarbon.org](http://www.secarbon.org).

***Southeast Regional CO<sub>2</sub> Sequestration Training Program (SECARB-Ed)*** - The U.S. Department of Energy's (DOE) National Energy Technology Laboratory (NETL) selected seven projects to receive more than \$8.4 million in funding to help develop regional sequestration technology training centers in the United States. The majority of this funding was provided by the American Recovery and Reinvestment Act (ARRA) of 2009. NETL partnered with SSEB and others, from both industry and academia, to develop the SECARB-Ed program for the southern United States. This effort establishes a CCS regional training program to facilitate national and global delivery of CCS technologies. Deploying these technologies on a commercial scale will require expanding the workforce, including geologists, engineers, scientists and technicians trained in CCS specialties.

***CO<sub>2</sub> Pipeline and Offshore Studies*** - The Regional Carbon Sequestration Partnership (SECARB), SSEB and the Interstate Oil and Gas Compact Commission (IOGCC) commissioned two studies; one focused on carbon dioxide (CO<sub>2</sub>) pipelines and the other on offshore transport and geologic storage of CO<sub>2</sub>. As commercial CO<sub>2</sub> capture and storage (CCS) projects evolve, the need for a national CO<sub>2</sub> pipeline infrastructure of sufficient scope and capacity will be needed to handle the expected volumes. In 2009, SSEB and IOGCC formed a Pipeline Transportation Task Force (PTTF) to identify barriers and opportunities for the potential wide-scale construction of pipelines to transport CO<sub>2</sub> for sequestration, enhanced oil recovery and other uses. Findings from the Pipeline Study and initial Offshore Study were presented in Memphis at the SSEB Legislative Briefing in July of 2011. A third study, *The Preliminary Evaluation of Offshore Transport, Utilization and Geologic Storage of Carbon Dioxide, North Carolina and South Carolina Waters*, was commissioned in February of 2012. It provides basic information and recommendations that can guide regulators, policy makers, legal professionals, and carbon-emitting industries in evaluating the potential for carbon dioxide utilization and geologic storage in sub-seabed geological structures.

***Committee on Clean Coal and Energy Technologies Collaboration*** - This committee analyzes global markets for clean coal technologies and advanced power systems; coal mining equipment infrastructure, transportation costs; financing and investment in coal power generation; education and training for the region's mining workforce; coal utilization for liquid transportation fuels; and the impact of state and federal laws. The Committee is a regional partnership consisting of federal government officials, state administrative officials, state legislators, non-profit organizations and private industry. It provides technical expertise and assists in the identification of issues that sustain the use of coal and the coal industry domestically and internationally. Recently, the Committee has been examining education and training programs for the region's miners. The Committee works with educational institutions in coal producing

states to enhance education and business opportunities for the new generation of miners that will be entering the industry.

***Consortium for Advanced Simulation of Light Water Reactors (CASL)*** - CASL is the Board's newest nuclear energy project. CASL is a \$122 million dollar effort sponsored by the Department of Energy (DOE) to create an energy innovation hub to foster the development of the next generation of nuclear reactors. This task is headquartered at DOE's Oak Ridge National Laboratory (ORNL). SSEB participates in the communications, policy and economic development issue areas, as the project lead for informing and educating stakeholders and decision makers throughout the country regarding the achievements and opportunities created by CASL.

***Transuranic (TRU) Waste Transportation Working Group*** - The TRU Working Group's main objective is to establish and maintain policies and procedures necessary to safely transport shipments of TRU waste through the southern region enroute to the Waste Isolation Pilot Plant (WIPP) near Carlsbad, New Mexico. SSEB acts as liaison for the states to identify prioritize and resolve regional issues related to the transportation of TRU waste. These activities are undertaken through a cooperative agreement with DOE's Carlsbad Field Office. Total funding from the agreement in excess of \$1.8 million dollars annually supports emergency response preparedness activities, equipment purchases, public outreach programs, shipment tracking and other planning activities in each state. The gubernatorial appointees of the TRU Working Group represent a variety of disciplines including radiological health, emergency response and transportation planning. The Oak Ridge National Laboratory (ORNL) in Tennessee and Savannah River Site (SRS) in South Carolina continue to be the major generators of the South's TRU inventory, but the region is also impacted by several small quantity sites (SQS) in the northeastern part of the country. SSEB is sponsoring and hosting The National Transportation Stakeholders Forum in Knoxville, Tennessee, on May 15-18, 2012. Expected attendance is 200 persons.

***Foreign Research Reactor Spent Nuclear Fuel Program*** - The Southern States Energy Board emerged as a partner in this program in 1994 when the U.S. Department of Energy (DOE) requested assistance in the planning efforts to transport two urgent-relief shipments of spent fuel from foreign countries to the Savannah River Site (SRS). After completion of these shipments, spent fuel under the auspices of this program would be sent to either SRS or the Idaho National Laboratory (INL) based on the fuel type. The origins of this fuel can be traced to the "Atoms for Peace" program of the 1950's during which the United States began providing foreign countries with nuclear technology to be used for peaceful research and medical uses, thereby encouraging them to refrain from the development of nuclear weapons. To achieve the goals of this program, SSEB formed two committees: the Foreign Research Reactor Spent Nuclear Fuel Transportation Working Group and the Cross-Country Transportation Working Group (CCTWG). The purpose of these committees is to provide state participation in the DOE planning effort to successfully carry out a 23-year shipping campaign (1996-2019) under which the United States would accept up to 19.2 metric tons of spent nuclear fuel from research reactors all over the world. This campaign could yield approximately 150-300 shipments entering the southern region via the Joint Base Charleston-Weapons Station. The most recent shipment occurred in March of 2012.

***Southern Emergency Response Council (SERC)*** - SERC exists as a formalized mutual aid agreement among the southern region to provide emergency response assistance to one another in case of a radiological incident. Created in 1972, SERC

representation is comprised of the 14 signatory states of the Southern Agreement for Mutual State Radiological Assistance including: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas and Virginia. The Southern Agreement for Mutual State Radiological Assistance is implemented through the Southern Mutual Radiation Assistance Plan (SMRAP). Created as a blueprint for coordinating radiological emergency assistance capabilities among participating states in the southern region, SERC representatives review, revise and administer SMRAP on an annual basis to reflect changes in state emergency response capabilities and equipment. This document outlines the mutual aid agreement, the implementation process, emergency response contacts and available state resources. An annual SERC meeting is held by the Board to provide members with a forum to discuss matters related to SMRAP. The group convened last year in Richmond, Virginia, to ratify SMRAP for 2011. Furthermore, SSEB operates as the regional coordinator for the testing of SMRAP activation procedures during joint power plant exercises between the states.

***The Annual Legislative Digest*** - The Digest serves as a compendium of energy and environmental legislation passed by the Board's 18 member states and territories during annual legislative sessions. For more than 40 years, SSEB has published the Digest as a reference tool and guide for state legislators and their staffs. The Digest thoroughly examines and tracks legislative trends by state.

***Biobased Products and Bioenergy Development*** - SSEB is working with the Coalition of Northeast Governors (CONEG); the Midwestern Governors Association (MGA); the Western Governors' Association (WGA); and the Pacific Regional Biomass Partnership, hosted by Washington State University under the auspices of the National Biomass Partnership (NBP). The NBP is a union of the five organizations and their long-standing regional biomass energy. Programs represent all fifty states, Puerto Rico, the U.S. Virgin Islands and the District of Columbia. All of these organizations are recognized nationally for their combined experience related to biomass technologies and policies. Recently, the focus has been to facilitate partnerships among industry, government, academia and others to advance biomass technologies in the region and nationally. SSEB has contributed in many areas, from assessing the technical viability of technologies and evaluating business plans for power plant development to bringing interested parties together to explore joint ventures.

***Energy and Environment Information*** - Annually, numerous requests for specific technical and policy information occur from SSEB members, state and federal government officials, legislators and other parties, including the general public. These requests include developing specific reports, analyses and providing references. SSEB provides direct technical and analytical support to its constituents on a variety of energy and environmental issues facing the region. SSEB maintains a website, accessible at [www.sseb.org](http://www.sseb.org), serving as a primary link to relevant energy and environment information sources on the internet.

***Educating Stakeholders*** - Southern States Energy Board takes seriously its mission of outreach and education through a variety of events, conferences, workshops, panel discussions, exhibits and keynote presentations. Over the past year SSEB presented at and participated in a wide range of activities from community discussions of residential energy efficiency applications, to key energy conversations with the Council of State

Governments and the Southern Legislative Conference. Examples of significant engagements from the past year include:

- Delta Regional Authority - Key Role of Biomass in the Energy Future of the Southern States;
- University of Houston Energy and Environmental Law Series - The Coal Dilemma: No Coal or Clean Coal;
- Biomass Trade and Power America Conference - Key Role of Biomass in the South;
- Gasification Technologies Council - Congress, Administration and the States: Roiling Toward an Uncertain Future;
- West Virginia Carbon Capture and Storage Working Group - CCS Technology and West Virginia Coal;
- University of the Virgin Islands Energy Development on Island Nations Workshop;
- Georgia Environmental Conference - Clean Energy Initiatives in the Southern States;
- Air and Waste Management Conference - Electricity Issues in the U.S.: SSEB Perspectives; and
- A Department of Energy Briefing for U.S. Energy Secretary Stephen Chu.

SSEB actively works with public utility commissioners in the SSEB region, as well as nationally, through NARUC. Georgia Tech's Clean Energy Series is a monthly technical meeting of academia, engineers, entrepreneurs, public officials and during the year SSEB provided an update on carbon capture and storage and how it could impact permitting, greenhouse gas emissions reductions from power plants and regulatory decision-making in southern states. SSEB also cooperates with the utility commissioners in the Eastern Interconnection Planning Collaboration, working through a public stakeholder group to develop a robust process for studies of the electric transmission system in the East.

For more information on SSEB's Programs and Activities, please visit the website at [www.sseb.org](http://www.sseb.org).

**12. *Describe any items related to the compact that require legislative attention and your proposed legislative changes.***

Currently there are no items related to the Board or compact requiring legislative action.

**13. *Should Tennessee's participation in the compact be continued? To what extent and in what ways would the absence of the compact affect the public health, safety or welfare?***


Tennessee's continuing participation in the compact is critical not only to the state but also to the region and other member states. All of the activities of the Board, as described under previous questions, assist the southern region in the development of a sound economy, proper utilization and diversity of energy sources and increased industrialization, while providing for adequate protection of the environment to ensure public health, safety and welfare. In addition, SSEB often undertakes state-specific projects with those same goals in mind.

Listed below are value-added services Tennessee and its citizens receive as a member of the compact.

- ♦ **Obtaining funding** for state and regional projects at the request of its membership, committees and working task forces (this funding provided as a pass-through to states generally is far in excess of appropriations paid to SSEB by its members);
- ♦ **Negotiating** collective **funding** for member states on programs that support energy and environmental research, education and training, technology development, regulatory reform and other key issue areas;
- ♦ **Funding** the direct participation of state officials in projects and activities in order to enable states to remain current on new programs, trends and technologies while decreasing the impact of travel on member state budgets;
- ♦ Working directly with businesses and industries on specific **economic development** projects that create and sustain **jobs** and expand the economy;
- ♦ Providing regional forums, conferences and workshops in member states that stimulate and promote **economic development**;
- ♦ Conducting **training** and other professional development activities that address energy and environmental programs and technologies; and
- ♦ Providing **research** and recommending **solutions** to specific issues on request of member state officials and businesses.

The chart provided on the following pages indicates the influx of resources SSEB provides to Tennessee as a member as well as the impact on state economic development goals and involvement of Tennessee public officials.



		<b>SOUTHERN STATES ENERGY BOARD</b>	
		Continuing Programs Updated for 2012	
		Tennessee Appropriation to SSEB = \$34,267	
<b>Total Benefits to Tennessee from SSEB = \$6,665,143</b>			
<b>Waste Isolation Pilot Plant (WIPP)* Subgrant awarded to</b>			
fund the safe transportation of transuranic waste from Savannah River Site			\$1,631,989
to the WIPP in Carlsbad, NM			
Tennessee Emergency Management Agency, 1999 to Current Funding			
<i>*The WIPP program pays for portions of 10 TN state government jobs each year</i>			
<b>Tennessee Emergency Management Agency Subgrants</b>			
Transportation Radiological Emergency Training Program (2001 to Current subgrant)			\$490,000
<b>Oak Ridge National Laboratory Consortium for</b>			
<b>Advanced Simulation of Light Water Reactors Project</b>			\$130,000
<b>Southeastern Biomass State &amp; Regional Partnership (SEBSRP)</b>			
SEBSRP Subgrant to TN Dept. of Economic & Community Development (2005-2007)			\$141,911
<b>Southeast Regional Carbon Sequestration Partnership (SECARB) Phase II Awarded to:</b>			
Marshall, Miller & Associates, Inc.; Field Test 2: Coal Bed Methane, FY 2005-2011			\$1,171,000
Marshall, Miller & Associates, Inc.; Task 10, FY 2009-2011			\$758,389
<b>Regional Efforts to Deploy Clean Coal Technologies Research Subgrant awarded to:</b>			
University of Tennessee, Energy, Environment & Resources Center; FY 2003-2007			\$34,000
<b>Southern Water Supply Roundtable Subgrant awarded to:</b>			
University of Tennessee, Energy, Environment & Resources Center; FY 2003-2008			\$18,000
<b>Direct Benefits to Tennessee from SSEB</b>			
			<b>\$4,375,289</b>

<b>Future Benefits to Tennessee through SSEB Programs</b>			
Remaining WIPP Budget for FY 2012 (July 1, 2011-June 30, 2012)			\$123,512
Transportation Radiological Emergency Training Program (FY 2012-13)			\$50,000
WIPP Funding Requested by TEMA for FY 2013*			\$167,299
<i>*This will support portions of 10 Tennessee state employee salaries for the July 1, 2012 to June 30, 2013 fiscal year</i>			
<b>National Stakeholders Transportation Forum (NTSF) hosted by SSEB in Knoxville, TN on May 15-18, 2012</b>			\$220,000
200 est. attendees (200 x \$1000-lodging, food, transportation)		\$200,000	
Conference Costs Associated with SSEB meeting		\$20,000	
<b>Eastern Coal Council's Upcoming Annual Meeting sponsored by SSEB in Kingsport, TN on May 21-22, 2012</b>			
300 est. attendees (300 x \$1000-lodging, food, transportation)			\$300,000
<b>Future Benefits to Tennessee through SSEB Programs</b>			<b>\$860,811</b>

<b>Additional Benefits to Tennessee through SSEB Programs</b>				
<b>SSEB Presentations/Participation during Tennessee Conferences/Meetings</b>				\$262,204
Presentation at Gasification Technologies Council Workshop (Apr 24-26, 12 (1 staff x 3 days)			\$7,186	
Presentation in DOE Electricity Grid Collaboration, Knoxville, TN, Dec 14-15, 11 (1 staff x 2 days)			\$3,969	
Presentation in CASL Meeting, Oak Ridge, TN, Aug 25-26, 11 (1 staff x 2 days)			\$9,081	
Participation in Solar Solutions Conference, Nashville, TN, Aug 9-10, 11 (1 staff x 2 days)			\$2,275	
Participation in SLC Meeting, Memphis, TN, Jul 15-18, 11 (7 staff x 4 days)			\$15,954	
Presentations in ECC Meeting, Kingsport, TN, May 23-25, 11 (6 staff x 3 days)			\$26,088	
Biomass South 2010: A New Horizon Participation, Oct 13-14, 2010 (1 staff x 2 days)			\$1,323	
Eastern Coal Council Conference Presentation & Participation, May 23-26, 2010 (2 staff x 4 days)			\$13,547	
Oak Ridge National Laboratory, CASL Hub Briefing Presentation (1 staff x 2 days)			\$9,081	
Gasification Workshop Presentation, June 25-26, 2009 (1 staff x 2 days)			\$3,969	
Eastern Coal Council Conference Presentation & Participation, May 9-13, 2009 (2 staff x 5 days)			\$24,106	
Governor's Summit on Clean Energy Technology Participation, October 13-15, 2008 (1 staff x 3 days)			\$4,540	
Regional EPA Summit at ORNL Presentation, January 8-9, 2008 (2 staff x 2 days)			\$11,355	
<b>Gasification Technologies Council Workshop for State Regulators Sponsored by SSEB on April 24-26, 2012 in Kingsport, TN</b>				\$102,000
102 attendees (102 x \$1000-lodging, food, transportation)				
<b>SSEB Legislative Briefing held in Memphis, TN on July 16, 2011</b>				\$45,730
40 attendees @ \$1000 (food, lodging, transportation)			\$40,000	
Conference Costs at the Peabody Memphis			\$5,730	
<b>SSEB Committee on Clean Coal &amp; Energy Technologies Collaboration Meeting in Kingsport, TN on May 23-25, 2011</b>				\$50,000
40 est. attendees (40 x \$1000-lodging, food, transportation)			\$40,000	
Conference Costs Associated with SSEB meeting			\$10,000	
<b>Southeast Carbon Sequestration Education (SECARB-Ed) Training Program in Kingsport, TN on May 31st, 2010*</b>				\$34,000
68 attendees (170 PDH x \$200 per PDH estimated value)			\$34,000	
<b>*170 Professional Development Hours were awarded to Attendees of this Meeting, including Tennessee Stakeholders</b>				
<b>Eastern Coal Council Annual Meetings with SSEB sponsorship</b>				
SSEB Sponsorship of 2007-2011 Meetings (\$3000 per year)				\$12,000
<b>SSEB Committee on Clean Coal &amp; Energy Technologies Collaboration Meeting in Kingsport, TN on May 12-13, 2009</b>				\$39,222
36 attendees (36 x \$1000-lodging, food, transportation)			\$36,000	
Conference Costs Associated with SSEB meeting			\$3,222	
American Energy Security Study: Imported Oil, Coal, Biomass, Oil Shale				\$517,962
Includes Research, economic impacts, policy recommendations and new technologies				
American Energy Security Study: Coal to Liquids, Biomass, Oil Shale (Regional Benefit)				
Includes Congressional briefings, testimony, state regulator briefings, federal and state legislation				
American Energy Security Summit and recommendations				
Cooperative efforts with U.S. Department of Defense, U.S. Dept. of Energy, and Industry				
Cost-Sharing through SECARB-Phase II Award (including Task 10.0)				\$342,796
Cost-Sharing through Southeastern State & Regional Biomass Partnership				\$23,129
Continued Economic Benefits & Environmental Impacts to Tennessee as a result of the RBEP Program				
Continued Committee Participation on all Existing Programs and Future Programs				
Continued Support to Tennessee through New Technologies and Partnerships including the Southeastern Regional Carbon Sequestration Partnership				
<b>Additional Benefits to Tennessee through SSEB</b>				<b>\$1,429,043</b>
<b>Total Benefits to Tennessee from SSEB</b>				<b>\$6,665,143</b>

14. **Please list all compact programs or activities that receive federal financial assistance and, therefore are required to comply with Title VI of the Civil Rights Act of 1964. Include the amount of federal funding received by program/activity.**

The chart provided on the following page indicates the compact programs, CFDA numbers, instrument amount, dates of the project period and contact information for the federal project manager in case of questions.

SOUTHERN STATES ENERGY BOARD								
Schedule of Current/Ongoing Contracts, Grants and Cooperative Agreements as of:					4/27/2012			
CFDA #	Project Identifier	Sponsoring Agency	Instrument Number	Project Period	Instrument Amount	Subject Area	Contracting/Project Officer	Telephone Number
81.133	920	U.S. Department of Energy/NETL	DE-FE-000001930	11/16/09 to 11/15/12	\$994,368	Southeast CO2 Sequestration Technology Training Program	Bruce Brown, PO Deb Duncan, AA <a href="mailto:bruce.brown@netl.doe.gov">bruce.brown@netl.doe.gov</a> <a href="mailto:duncan@netl.doe.gov">duncan@netl.doe.gov</a>	412-386-5534
81.121	931	UT-Battelle, LLC Oak Ridge National Laboratory U. S. Department of Energy	6400010279 DE-AC0500OR22725	11/17/10 to 9/30/12	\$100,726	Technical Support to the CASL Project CASL-Consortium for Advanced Simulation of Light Water Reactors	Justin Keck <a href="mailto:keckjc@ornl.gov">keckjc@ornl.gov</a>	865-241-6445
81.106	934/935/937/938	U. S. Department of Energy NNSA & NRC	DE-FC29-93AL82966	05/24/93 to 6/30/14	\$23,266,164	Waste Shipments Along the WIPP Corridor for Southern/Midwestern States and Foreign Fuel Shipments	Bill Mackie <a href="mailto:bill.mackie@wipp.ws">bill.mackie@wipp.ws</a> <a href="mailto:Helen.Thomas@wipp.ws">Helen.Thomas@wipp.ws</a>	505-234-7335
81.089	992	U.S. Department of Energy	DE-FE0004212	7/8/10 to 7/7/15	\$999,964	Clean Coal & Power Systems Technology Transfer	Gene Kight <a href="mailto:gene.kight@hq.doe.gov">gene.kight@hq.doe.gov</a>	301-903-2624
81.089	980	Virginia Tech U.S. Department of Energy/NETL	429311-19A13 DE-FE0006827	10/1/11 to 3/31/13	\$99,978	Small Scale Field Tests of Geologic Reservoir Classes for Geologic Storage	Mike Karmis Angela Page <a href="mailto:mikarmis@vt.edu">mikarmis@vt.edu</a> & <a href="mailto:apage@vt.edu">apage@vt.edu</a>	540-231-7057 540-231-7988
81.089	998	U.S. Department of Energy/NETL	DE-FC26-05NT42590 same contract 962/73	10/1/05 to 9/30/11	\$20,226,588	Southeastern Carbon Sequestration Regional Partnerships, (SECARB) Phase II	Bruce Brown, PO Deb Duncan, AA <a href="mailto:bruce.brown@netl.doe.gov">bruce.brown@netl.doe.gov</a> <a href="mailto:duncan@netl.doe.gov">duncan@netl.doe.gov</a>	412-386-5534
81.089	962/973	U.S. Department of Energy/NETL	DE-FC26-05NT42590 same contract 998	10/1/07 to 9/30/14	\$65,588,362	Southeastern Carbon Sequestration Regional Partnerships, (SECARB) Phase III	Bruce Brown, PO Deb Duncan, AA <a href="mailto:bruce.brown@netl.doe.gov">bruce.brown@netl.doe.gov</a> <a href="mailto:duncan@netl.doe.gov">duncan@netl.doe.gov</a>	412-386-5534
						TOTAL contractual project will be	<a href="mailto:duncan@netl.doe.gov">duncan@netl.doe.gov</a>	
						\$140,889,949		
						plus additional industry funding, \$150,000,000		
<b>Totals</b>					<b>\$111,276,150.00</b>			

- 15. Does the compact prepare a Title VI plan? If yes, please provide a copy of the most recent plan.**

The Southern States Energy Board has a section in the Employee Manual devoted to these issues. The policy is listed below.

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at SSEB are based on merit, qualifications, and abilities. SSEB does not discriminate in employment opportunities or practices on the basis of race, color, religion, gender, national origin, age or any other characteristic protected by law.

This policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination, and access to benefits and training.

Any employees with questions or concerns about any type of discrimination in the workplace are encouraged to bring these issues to the attention of the Managing Director. Employees can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

- 16. Does the compact have a Title VI coordinator? If yes, please provide the Title VI coordinator's name and phone number and a brief description of his/her duties. If not, provide the name and phone number of the person responsible for dealing with Title VI issues.**

Kathryn A. Baskin, Managing Director, (770) 242-7712

In Ms. Baskin's position as SSEB's managing director, her primary responsibilities include directing the overall management of the Board's activities, including technical project management, information services, administrative and financial oversight.

- 17. To which state or federal agency (if any) does the compact report concerning Title VI? Please describe the information the compact submits to the state or federal government and/or provide a copy of the most recent report submitted.**

Not applicable.

- 18. Describe the compact's actions to ensure that compact staff and clients/program participants understand the requirements of Title VI.**

The SSEB policy that addresses these issues is listed in the Employee Manual. SSEB also has relevant posters that address these issues, including the name of the SSEB Affirmative Action Officer. This information is posted in all of the bathrooms, break areas and other common areas of the SSEB facility.

SSEB also makes sure that all subcontractors/grantors are aware of Title VI by having a section in their contracts that state that they are required to follow all federal laws and regulations. Per their contractual agreements, the subcontractors/grantors are bound to the same laws and regulations as the Southern States Energy Board. These contracts contain a copy of the federal regulations that are a part of the grant or cooperative agreement under which they are being contracted to provide services.

19. ***Describe the compact's actions to ensure it is meeting Title VI requirements. Specifically, describe any compact monitoring or tracking activities related to Title VI, and how frequently these activities occur.***

SSEB has never had any complaints related to Title VI.

20. ***Please describe the compact's procedures for handling Title VI complaints. Has the compact received any Title VI-related complaints during the past two years? If yes, please describe each complaint, how each complaint was investigated, and how each complaint was resolved (or, if not yet resolved, the complaint's current status).***

As stated in the SSEB Employee Manual, employees should contact the managing director with any complaints. At that time, the managing director will write up a formal complaint and advise the executive director. The complaint will be investigated and actions will be taken to correct the problem at hand and to ensure legal compliance.

21. ***Please provide a breakdown of current compact staff by title, ethnicity, and gender.***

Title	Ethnicity	Gender
Executive Director	Caucasian	Male
Managing Director	Caucasian	Female
Director, Business Operations	Caucasian	Female
Legislative and Regulatory Counsel	Caucasian	Female
Senior Accounting Assistant	African American	Female
Grants & Accounting Specialist	Caucasian	Female
Assistant Director, Nuclear Programs	African American	Male
Geologist	Caucasian	Female
Senior Technical Analyst	Caucasian	Male
Program Operations Coordinator	African American	Female
Assistant Director, Geoscience Programs	Caucasian	Female
Computer Support Specialist	African American	Female
Staff Assistant	Caucasian	Female

22. ***Please list all compact contracts, detailing each contractor, the services provided, the amount of the contract, and the ethnicity of the contractor/business owner.***

Please reference the chart that is provided with item 14. The majority of SSEB's contractors are federal agencies such as the U.S. Department of Energy. The other compact contracts are with agencies that have contracts with other federal agencies such as the UT-Battelle-Oak Ridge National Laboratories and Virginia Tech.

23. ***Describe how the compact ensures that minorities are included in needs assessments or any other discussions regarding program needs.***

SSEB provides posters in all restrooms and most common areas of the work facility. The poster provides contact information for reporting any discrimination issues to the named Affirmative Action Officer.

- SSEB provides employees with an Employee Policy Manual.
- SSEB complies with all state and federal laws.
- All employees participate in staff meetings to discuss SSEB programs and activities.

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at SSEB are based on merit, qualifications, and abilities. SSEB does not discriminate in employment opportunities or practices on the basis of race, color, religion, gender, national origin, age or any other characteristic protected by law.

This policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination, and access to benefits and training.

Any employees with questions or concerns about any type of discrimination in the workplace are encouraged to bring these issues to the attention of the Managing Director. Employees can raise concerns and make reports without fear of reprisal. Anyone found to be engaging in any type of unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

# **ATTACHMENTS**

**FY2010 Annual Report**

**FY2011 Annual Report**

**FY2010 Audited Financial Statements**

**FY2011 Audited Financial Statements**

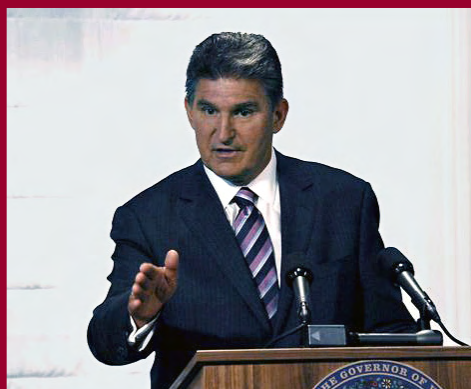


# 2010 Annual Report



*Celebrating  
50 Years  
of Leadership*

[www.sseb.org](http://www.sseb.org)







# MISSION



## OUR MISSION

Through innovations in energy and environmental policies, programs, and technologies, the Southern States Energy Board enhances economic development and the quality of life in the South.

*Cover Photos (Starting at the top):*

*(L to R) President Dwight D. Eisenhower and Governor LeRoy Collins, FL; President Lyndon B. Johnson signs S. 3075, Private Ownership of Special Nuclear Materials Act of 1964; Governor Bill Clinton, AR, meets the press at SSEB Annual Meeting, Wilmington, Delaware, 1989; Governor Joe Manchin III, WV, current SSEB Chairman.*



Above (L to R): Press Interview, 1979 - SINB Federal Rep. W. Sterling Cole; Rep. Pete B. Turnham, AL, SINB Chairman; Governor Pedro G. Zorrilla Martinez, Nuevo Leon, Mexico; Ernesto Alatorre, Energy Advisor to Governor Zorrilla; Kenneth Nemeth, SINB Executive Director.

Below: SECARB Partners host an American Association of Petroleum Geologists field trip in April 2010 at the site of the SECARB Phase III Early Test in Cranfield, MS.



Above: 1968 - Technician, standing behind thick shielding, performs delicate mixing of radioactive materials with the aid of mechanical hands.



# C O N T E N T S

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### SOUTHERN STATES ENERGY BOARD STAFF

**Kenneth J. Nemeth**  
Executive Director,  
Secretary to the Board

**Kathryn A. Baskin**  
Managing Director

**Sally L. Bemis**  
Staff Assistant

**Patricia A. Berry**  
Geologist

**Joan T. Brown**  
Senior Accounting  
Specialist

**Monica A. Childs**  
Computer Support  
Specialist

**Gary P. Garrett**  
Senior Technical Analyst

**Polly L. McKinney**  
Assistant Director,  
Communications

**M. Patrick McShane**  
Legal & Regulatory Analyst

**Leigh T. Parson**  
Grants and Accounting  
Specialist

**Kathy A. Sammons**  
Director, Business  
Operations

**Kimberly A. Sams**  
Assistant Director,  
Geoscience Programs

**Canissa N. Summerhill**  
Program Operations  
Coordinator

**Christopher U. Wells**  
Assistant Director, Nuclear  
Programs

**Adjunct Staff**  
**Phillip C. Badger**  
SSEB Technical Manager,  
Bioenergy Program

**Gerald R. Hill, Ph. D.**  
Senior Technical Advisor

**Mark A. Shilling**  
Special Counsel



Above: Governor Sonny Perdue, GA, SSEB 2008-2009 Chairman, congratulates Governor Joe Manchin, WV, on his role as incoming Chair at the 2009 SSEB Annual Meeting.

Left: Governor Joe Manchin III addresses SECARB Stakeholders, March 2010.



## MESSAGE FROM THE CHAIRMAN



As the Southern States Energy Board celebrates its golden anniversary, it is my pleasure to serve as Chairman of this exemplary organization. Its mission, “to enhance economic development and the quality of life in the South, through innovations in energy and environmental programs, policies and technologies,” may perhaps carry greater responsibility than it did when the Southern Interstate Nuclear Board (SINB), SSEB’s predecessor, was created back in 1960.

In fact, not since the 1970’s have we seen so much discussion about the role of energy and how it is produced and used. This year, concerns about global warming and greenhouse gases, rising fossil energy costs, nuclear waste, summer blackouts and instability in energy rich regions of the world have consumed policy discussions, and rightly so. Training is needed for energy jobs in fields ranging from mining to carbon sequestration, nuclear power plant construction to biofuel development. Disagreements over the speed and cause of climate change are pervasive, as are discussions about the ownership of rare earths, which are crucial to much green energy technology. Of late, the economic and environmental results of the Deepwater Horizon oil spill has spawned intense energy and environmental policy debate across

the country and the world. Leadership and dialogue throughout the industry and at the national and state level are needed now more than ever.

It is at times like these, especially, that I value the role that the Southern States Energy Board plays as the cohesive voice for our 18 states and territories. In 1960, southern leaders had the foresight to recognize that with the rise of nuclear energy, their states would need to address issues that did not adhere to state boundaries and now, fifty years later, that scope of vision has not changed. This spring, SSEB was asked to participate in the development of the energy innovation hub known as the Consortium for Advanced Simulation of Light Water Reactors (CASL), headquartered at Oak Ridge, Tennessee. This project will prove instrumental in the development of



Above (L to R): John Litynski, NETL; Brian Dressel, NETL; Bruce Smith, Denbury Resources, Inc.; Gerald Hill, SSEB; Governor Joe Manchin III, WV, at the 2010 SECARB Stakeholders Briefing.

Below (L to R): Governor Joe Manchin, WV, discusses state energy strategy with Governor Luis G. Fortuño, PR.



# M E S S A G E F R O M T H E C H A I R M A N

the next generation of nuclear reactors. That this new partnership has been created exactly half a century after the creation of SINB, is not just a coincidence. It speaks to the relevancy of SSEB over years past and for those to come.

Coal is a fundamental component of our nation's energy resource base as well. Our long term energy security and economic competitiveness are enhanced through reliance on domestic, affordable energy supplies. SSEB is committed to advancing technologies that will enable our industries, businesses and electric users to continue to rely on coal now and into the future.

As it happens, ongoing assessments and analysis of American energy security, state and federal legislation, and technological solutions to current energy demands and greenhouse gas emissions comprise much of the work undertaken by the 2009-2010 Board. Vocal and well informed questioning of cap and trade bills, along with alerts to the numerous rules and regulations promulgated by the U.S. Environmental Protection Agency exhibit the national and world perspective of our organization.

That is not to say, however, that those issues specific to our region are forgotten or ignored by SSEB. Quite the contrary. SSEB continues to research and promote resources and solutions particular to the South.

The Southeast Regional Carbon Sequestration Partnership (SECARB), is one such project. SECARB continues to characterize the region's geologic storage options, assess the wide-scale construction of pipelines to transport CO<sub>2</sub> for sequestration,

enhanced oil recovery and commercial uses and monitor federal and state regulatory and legislative activities. This year SECARB is pressing forward with Phase III of the plan, which is developing an integrated CO<sub>2</sub> capture, transportation and geologic storage project using post-combustion CO<sub>2</sub> captured from a coal-fired power generating facility.

In addition, the National Energy Technology Laboratory (NETL) has partnered with SSEB and others to develop SECARB-Ed, a Carbon Capture and Storage (CCS) regional training program to help build the workforce necessary for the growing CCS field.

The SECARB and SECARB-Ed programs are an excellent example of the Board's ability to leverage opportunities to assist its member states. SECARB received initial funding from the U.S. Department of Energy (DOE) but more than 39 percent of current project funding is from industry partners. Such partnerships are common in terms of both dollars and scientific contributions, allowing the Board to increase its program and financial commitments to the benefit of the entire region.

I encourage you to read more about the Board's accomplishments in this year's Annual Report. There you will find that the dedication of our members and their tireless drive to engage in dialogue across industry, the region and the nation is not just about honoring the past of this fine organization, but is a beacon for the future of our country.

Joe Manchin III  
Governor of West Virginia  
Chairman, SSEB, 2009-2010





Above (L to R): Mark Shilling, SSEB and Governor Jay Nixon, MO, at 2009 SSEB Annual Meeting.

Right (L to R): Tim Kichline, Edison Electric Institute; Sen. Robert Adley, LA; Sen. Denny Altes, AR; Rep. Clay Ford, FL; Rep. Randy Davis, AL; Rep. Warren Chisum, TX and George Bullock, ACCCE, at the 2009 SSEB Energy and Environment Legislative Briefing.



Above: Governor Bob Riley, AL, at the SSEB 2009 Annual Meeting.



## BOARD MEMBERS



### EXECUTIVE COMMITTEE

Chairman: Governor Joe Manchin III, West Virginia  
 Vice Chairman: Representative Rocky Adkins, Kentucky\*  
 Treasurer: Representative Myra Crownover, Texas  
 Governor Sonny Perdue, Georgia  
 Governor Bob Riley, Alabama  
 Senator Robert Adley, Louisiana  
 Senator Thomas McLain Middleton, Maryland  
 Representative Harry Geisinger, Georgia  
 Representative Jim Ellington, Mississippi  
 Federal Representative: Ms. Linda Key Breathitt  
 Secretary: Mr. Kenneth J. Nemeth, Executive Director SSEB\*\*

\*Chair, SLC Energy & Environment Committee / \*\*Ex-Officio, Non-Voting Executive

### ALABAMA

Governor Robert Riley  
 Senator Jimmy W. Holley  
 Representative William E. Thigpen, Sr.  
 Representative Pete Turnham, Emeritus,  
 House Alternate  
 Representative Randy Davis, Governor's  
 Alternate

### ARKANSAS

Governor Mike Beebe  
 Senator Steve Faris  
 Senator Denny Altes, Senate Alternate  
 Representative Allen Maxwell  
 Mr. Marc Harrison, Governor's Alternate

### FLORIDA

Governor Charlie Crist  
 Senator Lee Constantine  
 Representative Clay Ford  
 Mr. Robert Vickers, Governor's Alternate

### GEORGIA

Governor Sonny Perdue  
 Senator David Shafer  
 Senator Mitch Seabaugh, Senate Alternate  
 Representative Harry Geisinger  
 Representative Lynn Smith, House Alternate

### KENTUCKY

Governor Steve Beshear  
 Senator Brandon Smith  
 Representative Rocky Adkins  
 Dr. Leonard K. Peters, Governor's Alternate





*Above: The Honorable Linda Breathitt, SSEB Federal Representative, at the 2010 SECARB Stakeholders Briefing.*

*Below (L to R): Sen. Mark Norris, TN, and Rep. Weldon Watson, OK, at the 2009 SSEB Energy and Environment Legislative Briefing.*



*Above: Governor Haley Barbour, MS, at the 2009 SSEB Annual Meeting.*

# B O A R D

# M E M B E R S

## LOUISIANA

Governor Bobby Jindal  
Senator Robert Adley  
Representative Joe Harrison  
Representative Noble Ellington, House Alternate  
Mr. William “Bill” Dore, Governor’s Alternate

## MARYLAND

Governor Martin O’Malley  
Senator Thomas McLain (Mac) Middleton  
Delegate Dereck E. Davis  
Mr. Malcolm D. Woolf, Governor’s Alternate

## MISSISSIPPI

Governor Haley Barbour  
Senator Nolan Mettetal  
Representative Jim Ellington  
Mr. Patrick Sullivan, Governor’s Alternate

## MISSOURI

Governor Jay Nixon  
Senator Kevin Engler  
Representative Ed Emery

## NORTH CAROLINA

Governor Bev Perdue  
Senator David W. Hoyle  
Speaker Joe Hackney  
Ms. Jennifer Bumgarner, Governor’s Alternate

## OKLAHOMA

Governor Brad Henry  
Senator David F. Myers  
Representative Weldon Watson  
Mr. J.D. Strong, Governor’s Alternate

## PUERTO RICO

Governor Luis G. Fortuño  
Mr. Jose Rafael Diaz, House Legislative Counsel  
Mr. Luis Bernal, Governor’s Alternate

## SOUTH CAROLINA

Governor Mark Sanford  
Senator Lawrence Grooms  
Representative William E. “Bill” Sandifer  
Ms. Ashlie Lancaster, Governor’s Alternate

## TENNESSEE

Governor Phil Bredesen  
Senator Mark Norris  
Representative Gary Odom  
Mr. Ryan Gooch, Governor’s Alternate

## TEXAS

Governor Rick Perry  
Representative Myra Crownover  
Commissioner Michael L. Williams,  
Governor’s Alternate

## VIRGIN ISLANDS

Governor John P. deJongh  
Mr. Bevan R. Smith, Jr., Governor’s Alternate

## VIRGINIA

Governor Robert F. McDonnell  
Senator John C. Watkins  
Delegate Harry R. Purkey  
Dr. Michael Karmis, Governor’s Alternate

## WEST VIRGINIA

Governor Joe Manchin III  
Senator Earl Ray Tomblin  
Senator Mike Green, Senate Alternate  
Delegate Linda Goode Phillips  
Mr. John F. Herholdt, Governor’s Alternate





Above: Rep. Rocky Adkins, KY, moderates the 2010 SSEB Energy and Environment Legislative Briefing.

Above: Kathryn Baskin, SSEB, and Speaker Joe Hackney, NC, at the 2009 SSEB Energy and Environment Legislative Briefing.



Above: Rep. Randy Davis, AL, at the 2009 SSEB Energy and Environment Legislative Briefing.



## PROGRAMS



The Southern States Energy Board operates and oversees a wide variety of energy and environment programs. Areas from water use to carbon sequestration, biomass to nuclear waste transportation, legislative and regulatory action to energy independence and security fall under the purview of SSEB.

### ENERGY AND ENVIRONMENT LEGISLATIVE PRIORITIES AND ANALYSIS

The Energy and Environmental Legislative Priorities and Analysis Program tracks the progress of state and federal legislation and regulations related to a wide range of energy and environmental issues.

Every year the Board's staff collects and summarizes legislation in all of the member states to produce the Energy and Environment Legislative Digest. A compendium of energy and environmental legislation, it thoroughly examines measures passed in the SSEB member states. Some exemplary bills from this year's legislative session include the following:

Florida's House Bill 7179 allows a property owner to apply to the local government for funding to finance a qualifying energy improvement. Louisiana's House Bill 495 provides that the owner of the land or

water bottom is the owner of any monetary compensation derived from carbon sequestration. Oklahoma's House Bill 3028 creates the Oklahoma Energy Security Act, which establishes a voluntary goal of increasing the installed capacity of electricity derived from renewable energy sources to 15 percent by the year 2015. Puerto Rico's Senate Bill 1519 defines Puerto Rico's public policy regarding the use of renewable energy in order to diversify power generation and creates a Renewable Portfolio Standard. West Virginia's Senate Bill 350 amends the alternative and renewable energy portfolio standard by recategorizing recycled energy as a renewable energy resource in order to purchase energy resource credits and by allowing ethanol to be considered a renewable energy resource when produced from sources other than corn.

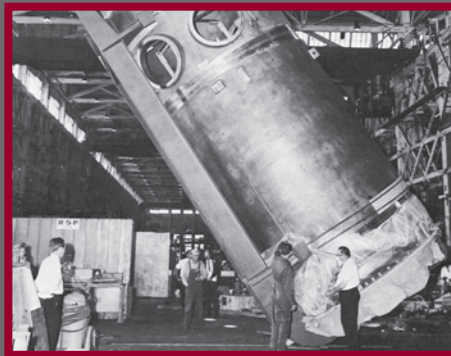
In addition to state bills, there were several federal energy and environmental bills introduced in Congress in 2010. The most





Above: Participants of the 2010 SSEB Energy And Environment Briefing to Southern Legislators in Charleston, SC.

Below: 1968 - Finishing touches are applied to the core barrel of a nuclear power reactor of the type built by Westinghouse Electric at Pensacola, FL.



# P R O G R A M S

comprehensive of these was The American Power Act, introduced by Sen. John Kerry (D-MA) and Sen. Joseph Lieberman (I-CT). The Act addresses topics ranging from inflated energy costs, to harnessing domestic power supplies, investing in clean energy technologies, reducing emissions and creating a carbon market. In addition, Sen. Dick Lugar (R-IN) introduced his Practical Energy and Climate Plan bill which prioritizes targeted policies that promise to bring monetary and energy savings while providing flexible frameworks to encourage investment in a secure energy future.

Other elements of the program include comparative studies on state Carbon Capture and Sequestration (CCS) and Renewable Portfolio Standards (RPS) legislation. The study on CCS analyzed bills in 22 states and compared aspects dealing with project authority, pore space and carbon dioxide (CO<sub>2</sub>) ownership, long and short term liability and financing sources. Similarly, the RPS study compared RPS standards, eligible technologies, applicable sectors, technology minimums and credit trading in 29 states and the District of Columbia. The Board provided testimony before the Oklahoma Clean Energy Commission on these issues.

SSEB also tracks developments in federal regulatory activities related to energy and the environment. These included the Environmental Protection Agency's (EPA's) rules for National Standards for Fuel Economy and Greenhouse Gas (GHG) Emission Levels for Passenger Cars and

Light Trucks, or the "Tailpipe Standards," the GHG Tailoring Rule and four proposed rules that would expand the EPA's mandatory GHG reporting rule.

This year, SSEB has initiated "Action Alert" emails to notify our members when significant movement has occurred in federal legislation or rules relevant to SSEB's purview. An Action Alert summarizes pending legislation or rules, provides helpful links and alerts our members to how it may affect their states. These emails, coupled with the Digest and other legislative analyses provide an invaluable resource for our members and others.

## CONSORTIUM FOR ADVANCED SIMULATION OF LIGHT WATER REACTORS

Nearly fifty years ago, the southern governors convened and advocated the creation of a regional agency to help ensure that the South had a dependable supply of affordable energy. Their dedication and hard work towards this task would come to fruition in the form of the Southern Interstate Nuclear Compact, the Nation's first such regional energy collective. As we move to the present, the Compact has a new name and a broader mandate. This new mission still meets the aims of the original charter but incorporates and fosters the use of technological innovation to address energy and environmental concerns.

The most recent project which displays





Above: Oak Ridge National Laboratory, Oak Ridge, TN, home of the Consortium for Advanced Simulation of Light Water Reactors (CASL). (Photo courtesy of Oak Ridge National Laboratory)

Below: Volunteers collect shipment information from truckers during 24-hour commodity flow survey along Interstate 20 on the Georgia / South Carolina border.



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SSEB's continual focus on this area is the \$122 million award from the Department of Energy to create an energy innovation hub known as the Consortium for Advanced Simulation of Light Water Reactors (CASL) headquartered at Oak Ridge, Tennessee. This important project will prove instrumental in the development of the next generation of nuclear reactors.

The first task will be to develop computer models that simulate nuclear power plant operations, forming a "virtual reactor" for the predictive simulations of light water reactors. Other tasks include using computer models to reduce capital and operating costs per unit of energy, safely extending the lifetime of existing U.S. reactors and reducing nuclear waste volume generated by enabling higher fuel burn-ups.

In addition to the technical aspects of the program, the overall scope of the project includes five topical councils that integrate CASL work products and personnel with the broader scientific and engineering community. One of these areas, the Communications, Policy and Economic Development Council (CPEDC), will be chaired by Ken Nemeth, Executive Director of the Southern States Energy Board. The CPEDC will serve as the project lead for informing and educating stakeholders and decision-makers throughout the country regarding the achievements and opportunities created by CASL.

By participating in the CASL program, SSEB is addressing President Obama's call for a

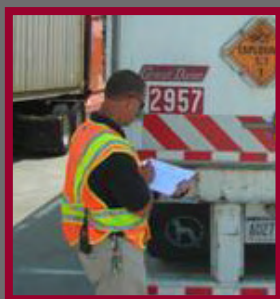
"new era of energy exploration," while also adhering to the vision of those founding governors in "aiding and abetting the natural growth of nuclear energy as the talisman of the world of the future."

## RADIOACTIVE MATERIALS TRANSPORTATION

The Southern States Energy Board's Radioactive Materials Transportation Committee is committed to working with the Department of Energy to ensure shipments are safely transported through the region and states are adequately prepared in the event of an incident. The Committee, whose membership includes gubernatorially-appointed state emergency response planners, radiological health professionals and other state agency officials, has been engaged with the DOE's Office of Civilian Radioactive Waste Management (OCRWM) to address specific issues relevant to the development of the first federally designated repository for spent fuel and high-level radioactive waste, known as Yucca Mountain, located approximately 100 miles north of Las Vegas, Nevada.

However, the present administration has sought alternative strategies to citing Yucca Mountain as the final destination for the waste stream. Thus, in January 2010, Secretary Chu announced the formation of a Blue Ribbon Commission on America's Nuclear Future to provide recommendations for developing a safe, long-term solution to managing the Nation's used nuclear fuel and

*Below: A volunteer collects shipment information from truckers during 24-hour commodity flow survey along Interstate 20 on the Georgia / South Carolina border.*



*Above and right: WIPPTREX training activities in Lindale, Texas on June 9, 2010.*



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nuclear waste. The Commission is made up of 15 members who have a range of expertise and experience in nuclear issues, including scientists, industry representatives, and respected former elected officials. It is expected to produce an interim report within 18 months and a final report within 24 months. SSEB's Radioactive Materials Transportation Committee stands ready as an available resource to the Commission to provide a southern states' perspective on policy related to nuclear power and transportation for the Nation's spent fuel and high-level radioactive waste.

Recent activities involving Committee members include collaboration with DOE's Environmental Management Office to conduct a commodity flow survey along the border of Georgia and South Carolina in June 2010. These surveys provided a 24 hour audit of the categories of materials moving along major transportation corridors in the region. Exercises such as this raise states' level of awareness and provide a sample of the effort that would be required to support a national transportation program.

## TRANSURANIC WASTE TRANSPORTATION

For over two decades SSEB's Transuranic (TRU) Waste Transportation Working Group has been assisting the Department of Energy (DOE) with environmental management clean-up activities. The TRU Working Group's major objective is to outline policies and procedures necessary to safely transport

shipments of TRU waste thru the southern region en route to the Waste Isolation Pilot Plant (WIPP) near Carlsbad, New Mexico. TRU waste, which is generated from the production of nuclear weapons, mainly consists of solid items such as protective clothing and gloves, rags, lab instruments and equipment, as well as other items that have become contaminated by transuranic isotopes. The gubernatorial appointees of the TRU Working Group represent a variety of disciplines including radiological health, emergency response and transportation planning. SSEB acts as liaison for the states to identify, prioritize and resolve regional issues related to the transportation of TRU waste. These activities are undertaken through a cooperative agreement with DOE's Carlsbad Field Office (CFO).

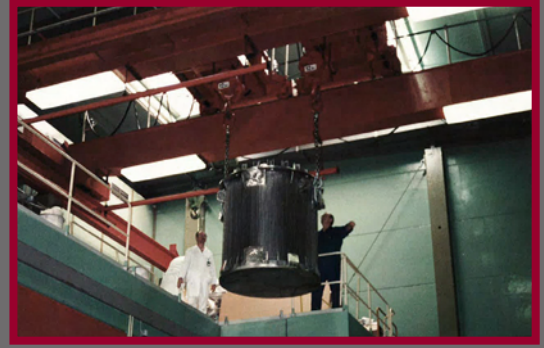
Savannah River Site (SRS), South Carolina, and Oak Ridge National Laboratory (ORNL), Tennessee, contain the majority of the South's TRU inventory but waste is also stored at several small quantity sites (SQS) in the northeastern part of the country. The location of these TRU waste sites makes our region a major transportation corridor for WIPP disposal, thus SSEB annually issues subgrants of over \$1.9 million to the states impacted by the routes of these shipments. The funding supports state salaries, emergency response preparedness activities, equipment purchases, public outreach programs, shipment tracking and other planning activities in each state.

Since opening in 1999, the WIPP facility



Above: Texas officials construct decontamination tent for hospital patients as a part of June 2010 WIPPTREX.

Below: Workers in Austria supervise operation of moving a loaded cask to the floor for radiological sampling.



has processed over 8,600 shipments. SRS has made 1,110 of those shipments and is approaching 1.7 million miles of highway transport. Although ORNL only began making shipments in September 2008, it is approaching the century mark and has over 100,000 transport miles within the program. Commencement of the SQS shipments is expected to occur in June 2011. In order to prepare for the opening of the SQS corridor, SSEB will coordinate with the CFO to provide a policy and technology briefing for the states of West Virginia, Maryland, and Virginia, all of which will be impacted by this new route. Other activities that took place during the year included a WIPPTREX in Lindale, Texas. This exercise allowed the state and local emergency response agencies to demonstrate their preparedness to handle an accident involving a WIPP shipment.

### FOREIGN RESEARCH REACTOR SPENT NUCLEAR FUEL PROGRAM

The United States began providing foreign countries with nuclear technology during the "Atoms for Peace" program of the 1950's. The intent of this program was to encourage the nations to use the technology for peaceful research and medical uses and forgo development of nuclear weapons. In order to strengthen this non-proliferation policy, the U.S. assisted the foreign entities in converting their reactors to use low enriched uranium and also agreed to take back and manage the spent fuel. The Southern States Energy Board emerged as a partner

in this commitment in 1994 when DOE requested assistance in the planning efforts to transport two urgent-relief shipments of spent fuel from foreign countries to the Savannah River Site (SRS). After completion of these shipments, spent fuel under the auspices of this program would be sent to either SRS or the Idaho National Laboratory (INL), depending on the fuel type.

To achieve the goals of this program, SSEB formed two committees: the Foreign Research Reactor Spent Nuclear Fuel Transportation Working Group and the Cross-Country Transportation Working Group (CCTWG). The purpose of these committees is to provide state participation in the DOE planning effort to successfully carry out a 23-year shipping campaign (1996-2019) under which the U.S. would accept up to 19.2 metric tons of spent nuclear fuel from research reactors all over the world. This campaign could yield approximately 150-300 shipments entering the southern region via the Charleston Naval Weapons Station. Since their formation, these committees have assisted the transportation planning process by informing their state agencies and local officials about the program, coordinating with the shippers and state officials to develop a transportation plan and identifying first responder needs. Additionally, the CCTWG has the added task of providing DOE with a forum to develop a transportation plan for the safe and efficient shipping of this material from SRS



*Below: Safety crew guides an International Standards Organization container onto a flat rack railcar at the Naval Weapons Station in Charleston, SC.*



*Above: The underbelly of a massive mobile crane used to offload containers from ocean vessels housing spent fuel casks and associated equipment at the Naval Weapons Station in Charleston, SC.*

*Below: State and federal workers conduct radiological surveys of containers within the cargo hold of an ocean vessel.*



to INL. SSEB membership in the CCTWG is comprised of the states of South Carolina, Georgia, Tennessee and Kentucky.

The overwhelming majority of these shipments enter the United States via the Charleston Naval Weapons Station at a rate of about two per year. As we enter the fourteenth year of the campaign, 42 shipments have arrived in the U.S. through our region. The most recent shipment was received at SRS in April 2010. This shipment hailed from Santiago, Chile and received moderate media coverage because of safety concerns in regard to the earthquake that occurred in the country, in addition to the overall emphasis on global threat reduction.

## **SOUTHERN EMERGENCY RESPONSE COUNCIL**

Formed in 1972, the Southern Emergency Response Council (SERC) exists as a formalized emergency response agreement among the southern region to respond in case of a radiological incident. SERC representation is comprised of the 14 signatory states of the Southern Agreement for Mutual State Radiological Assistance including: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas and Virginia.

The Southern Agreement for Mutual State Radiological Assistance is implemented through the Southern Mutual Radiation Assistance Plan (SMRAP). Created as a

blueprint for coordinating radiological emergency assistance capabilities among participating states in the southern region, SERC representatives review, revise and administer SMRAP on an annual basis to reflect changes in state emergency response capabilities and equipment. This document outlines the mutual aid agreement, the implementation process, emergency response contacts and available state resources.

An annual SERC meeting is held by SSEB to provide members with a forum to discuss matters related to SMRAP. Furthermore, SSEB operates as the regional coordinator for the testing of SMRAP activation procedures during joint power plant exercises between the states. The group convened September 23, 2009, in Baton Rouge, Louisiana, to ratify SMRAP for 2009. The states convened again in August 2010 in Portland, Oregon, to update SMRAP.

## **CARBON MANAGEMENT:**

### **THE SOUTHEAST REGIONAL CARBON SEQUESTRATION PARTNERSHIP (SECARB)**

The Southeast Regional Carbon Sequestration Partnership (SECARB) is a program underway at the Southern States Energy Board to define the role for clean coal in a carbon constrained world and balance the environmental effects of existing and prospective power generating facilities. The



# **P R O G R A M S**



Above: Monitoring/Observation well located at the SECARB Phase III Detailed Area of Study in Cranfield, Mississippi.

Below: Dr. Jack Pashin, Geological Survey of Alabama (GSA), explains the pressure gauges and gas sampling lines at the 1-South monitoring well.



Above: Dr. Susan Hovorka addresses SECARB stakeholders in Atlanta, March 2010.

SECARB program represents a 13-state region, including Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas and Virginia and portions of Kentucky and West Virginia. SECARB is comprised of over 100 participants representing federal and state governments, industry, academia, and non-profit organizations.

The primary goal of the SECARB Partnership is to develop the necessary framework and infrastructure to conduct field tests of carbon dioxide (CO<sub>2</sub>) sequestration and storage technologies and to evaluate potential opportunities for the future commercialization of carbon sequestration. The SECARB partners are accomplishing this goal in three phases. During Phase I (2003-2005), SECARB completed an initial screening of potential sources and terrestrial and geologic sinks for carbon sequestration and developed action plans for small-scale field demonstrations. SECARB's Phase II Validation program (2005-2010) is implementing the Phase I action plans and conducting three small-scale field tests in four locations. As of September 30, 2010, all Phase II field tests will be completed. The 10-year Phase III Development program began in 2007 with a goal to develop an integrated CO<sub>2</sub> capture, transportation and geologic storage project utilizing post-combustion CO<sub>2</sub> captured from a coal-fired power generating facility. Phase III includes two projects; the Early Test and the Anthropogenic Test (CO<sub>2</sub> from coal

combustion). The Phase III Early Test is underway, and the Anthropogenic Test will commence in the Spring of 2011.

SECARB continues to characterize the region's onshore and offshore geologic storage options; identify barriers and opportunities for the wide-scale construction of pipelines to transport CO<sub>2</sub> for sequestration, enhanced oil recovery, and other commercial uses; monitor federal and state regulatory and legislative activities; and support education and outreach efforts related to the program.

Significant accomplishments of SECARB's Early Test include the following:

- Became the first regional carbon sequestration project (RCSP) to begin CO<sub>2</sub> injection;
- Became the first RCSP to monitor a 1 million tonne CO<sub>2</sub> injection (Volume injected as of July 31, 2010 is 2.5 million tonnes); and
- SECARB is one of three international projects to be recognized at the Carbon Sequestration Leadership Forum meeting in Warsaw, Poland.

SECARB is one of seven regional partnerships nationwide. The Partnership receives approximately 61 percent of its funding from DOE's National Energy Technology Laboratory and the other 39 percent is provided by cost share partners.

Below: Virginia Congressman Rick Boucher powers on the drill during the SECARB Central Appalachian Coal Seam Project ground breaking ceremony.



Below: SSEB CO<sub>2</sub> Pipeline Study participants review infrastructure and liability issues in Lexington, KY in May 2010.

Above: CO<sub>2</sub> injection operations at the SECARB Phase II Central Appalachian Coal Seam Project, January-February 2009.



## SOUTHEAST REGIONAL CO<sub>2</sub> SEQUESTRATION TRAINING PROGRAM (SECARB-Ed)

Carbon capture and storage (CCS) technologies have tremendous potential for reducing CO<sub>2</sub> emissions and mitigating global climate change. These technologies encourage economic growth and have manageable influence on energy use. Deploying these technologies on a commercial scale will require expanding the workforce (including geologists, engineers, scientists, and technicians) trained in CCS specialties.

The U.S. Department of Energy's (DOE) National Energy Technology Laboratory (NETL) has selected seven projects to receive more than \$8.4 million in funding to help develop regional sequestration technology training centers in the United States. The majority of this funding is being provided by the American Recovery and Reinvestment Act (ARRA) of 2009.

NETL is partnering with the Southern States Energy Board (SSEB) and others, from both industry and academia, to develop the Southeast Regional CO<sub>2</sub> Sequestration Training Program (SECARB-Ed) for the southern United States. This will establish a CCS regional training program to facilitate national and global delivery of CCS technologies. The project will accomplish a series of tasks over a three-year period. Major project tasks include:

- Implementing a SECARB-Ed Sponsorship Development Program that allows SECARB-Ed to become self-sustaining after the initial three year period;
- Establishing a CCS technology curriculum by identifying topics for short courses;
- Training by providing speakers and assisting institutions in development and delivery of CCS training;
- Facilitating technology transfer through the use of electronic and printed media;

By addressing climate change and developing near-zero emission technologies that will significantly reduce CO<sub>2</sub> emissions from industrial plants, the project will advance the United States in its position as the leader in CCS technologies.

## CO<sub>2</sub> PIPELINE AND OFFSHORE STUDIES

The CO<sub>2</sub> Pipeline Study was established in 2009 to identify barriers and opportunities for the potential wide-scale construction of pipelines to transport carbon dioxide for sequestration, enhanced oil recovery, and other commercial uses. Other objectives are to inform key decision-makers about transportation as it relates to guidelines, legal, regulatory, and liability frameworks for Carbon Capture and Storage (CCS); to facilitate cooperation, collaboration, and communication among key stakeholders involved in pipeline infrastructure



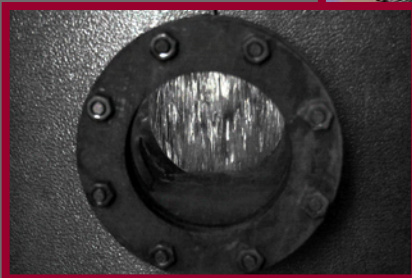
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*Above: AEP's Mountaineer Power Plant, the world's first large scale carbon capture and storage project. (Photo courtesy of American Electric Power)*

*Below: Carbon is captured using a chilled ammonia process which absorbs and creates a high-purity stream of CO<sub>2</sub>.*



*Above: Alstom Carbon Capture unit, designed to capture CO<sub>2</sub> from exhaust flue gas. (Photo courtesy of American Electric Power)*

planning and development; and to form a basis for continued future planning and communication.

While the report will focus on regulatory and economic models that might emerge in the wide-scale adoption of CO<sub>2</sub> transport, there also will be a wide range of background information on both CCS and pipeline basics.

In addition, the Pipeline Transportation Task Force will share research findings and recommendations with industry, operators, and the public to foster informed decision-making regarding pipeline construction and produce results that best meet local, state and national needs.

In a preliminary evaluation of the potential for offshore transport and storage of CO<sub>2</sub>, SSEB is conducting resource mapping and an initial assessment of storage capacity. This includes an evaluation of infrastructures to accommodate CO<sub>2</sub> sequestration and the integration of data with NatCarb's ATLAS III.

The Interstate Oil and Gas Compact Commission is partnering with SSEB in these activities.

## **CLEAN COAL AND ADVANCED COAL TECHNOLOGY**

Southern States Energy Board's Committee on Clean Coal and Energy Technologies Collaboration continues to advance opportunities for applied research and development, investment, international

cooperation and technology design for coal in the South, including coupling the development of clean coal technologies with potential economic development.

In May 2010, the Committee, along with the Eastern Coal Council, held a joint meeting to examine issues related to carbon management and coal use in the SSEB region. Highlighting the conference was a keynote address by Alpha Resources Board Chair, Michael J. Quillen, who discussed the current and future role of coal as a key energy resource in the United States. The importance of coal in job creation was also discussed at the conference.

Workforce issues continue to be a major component of the energy industry. Training and continuing education for miners is of significant concern, as nearly half of the coal miners in the Southeast face retirement within the next five years. The Kentucky Coal Academy, the West Virginia Coal Academy and teacher programs at Virginia Tech continue to contribute to the development of a secure labor force for the that industry.

Southern States Energy Board maintains a productive partnership with the Department of Energy's (DOE) Office of Coal and Power and the Office of Clean Coal and Energy Collaboration. International efforts, such as participation in the 23-nation Carbon Sequestration Leadership Forum, are coordinated with the Clean Fossil Fuel Systems Committee of the World Energy Council and the United States Energy

Right: Two fishing vessels drag an oil boom in the Gulf of Mexico after trapped oil is set ablaze May 6, 2010. The U.S. Coast Guard, federal agencies, BP and locals conducted an in-situ burning to aid in preventing the spread of oil in the wake of an explosion on mobile offshore drilling unit Deepwater Horizon, April 20, 2010. (U.S. Navy photo by Mass Communication Specialist 1st Class Jeffery Tilghman Williams)



Above: The drillship Discoverer Enterprise, right, and other vessels conduct flaring operations to mitigate the effects of the Deepwater Horizon oil spill June 25, 2010, in the Gulf of Mexico. (DoD photo by Petty Officer 3rd Class Jaclyn Young, U.S. Coast Guard)



Association (USEA). Similarly, SSEB participated in meetings of the Carbon Sequestration Leadership Forum (CSLF) in San Francisco and London, where policy and technology discussions are leading to international discussions of key energy ministers at the GHGT-10 Summit.

In April, SSEB participated in a workshop with the University of Texas at Arlington (UT- Arlington) and state and local elected officials in Arkansas concerning a new technology being developed by UT-Arlington researchers. This process would make it feasible to use significant lignite reserves in Arkansas for conversion to liquid fuels in a clean, economical manner. The previously passed Arkansas Lignite Resources Pilot Program sets the stage for lignite development through exploration, research and legal discussions in the state.

## AMERICAN ENERGY SECURITY

In July 2006 the Southern States Energy Board released the American Energy Security Study. This nationally acclaimed work included the development of a comprehensive plan for the United States to establish energy security and independence through the production of alternative liquid transportation fuels from our vast and diverse domestic resource base, including coal, biomass and oil shale. The plan also emphasized significantly increasing domestic oil production and sequestering carbon using CO<sub>2</sub> Enhanced Oil Recovery (EOR) where carbon dioxide is injected underground into

mature and declining oil fields to mobilize stranded oil.

At its 2008 Annual Meeting, the Southern States Energy Board decided to follow up the initial study with research focusing on four areas: energy resources available in the U.S.; climate issues, including beneficial uses of CO<sub>2</sub> now and in the future; impacts on the electricity supply nationwide and implications of current energy issues on the transportation system within the Nation.

Since the advent of the study, significant events have reaffirmed the Board's urgency in such an undertaking. The U.S. continues to import more oil from unstable and unfriendly foreign nations. In July 2008, the price of oil reached \$144/barrel, which equates to over four dollars per gallon in this country. Although prices have since subsided and remained relatively stable, recent incidents, such as the Deepwater Horizon disaster in the Gulf of Mexico, exemplify the risks and potential volatility of future energy supply and price.

That said, a number of recommendations have emerged from the latter study.

With regards to domestic energy resources, the study suggested the following actions:

- Sponsor outreach and education programs to educate policymakers and the general public about energy resources and use;
- Develop mechanisms to mitigate fuel price volatility and risk including price



Since transportation accounts for approximately 28 percent of the use of energy resources in the U.S., improving vehicle efficiency and developing alternative fuels could play key roles in reducing demand, improving environmental impacts and increasing energy independence.



Investments in the electricity grid are critical to ensuring a reliable supply of power at low cost and in an environmentally sustainable manner while also connecting renewable power supplies with load centers.

floors for synthetic liquid fuels produced from domestic coal;

- Improve financial mechanisms to promote capital formation for energy infrastructure and resource development investments; and
- Promote rapid development of next generation renewable fuels through extension of the Production Tax Credit.

Carbon dioxide can be viewed as a commodity rather than a waste. Within that context, it can provide value within the energy supply chain through measures including:

- Incentives for the beneficial uses and storage of CO<sub>2</sub> enhanced oil and gas recovery;
- Incentives for research and development to create new markets for CO<sub>2</sub> such as industrial processes and other commercial applications;
- Support of a national CO<sub>2</sub> pipeline transport infrastructure through studies, funding mechanisms, federal and state oversight primacy and other regulatory matters; and
- Expanded research into enhanced oil recovery to develop next-generation technologies.

The electricity grid, including supply, transmission and operations, continues to be highly reliable, secure, stable and

economical. Maintaining those attributes requires diligent efforts including:

- Modernizing energy infrastructure, including smart grid technologies and increased generator efficiencies;
- Providing regulations for equitable cost allocation for transmission resources;
- Expanding the use of nuclear energy through policies and regulations that reduce risks and exposure; and
- Increasing renewable sources of electricity and requisite transmission resources for remote, intermittent generation.

Relative to the transportation infrastructure, the study recommends consideration be given to:

- Improving and upgrading transportation infrastructure, including roads, bridges, aviation, rail and transit;
- Passing the Open Fuel Standard Act to increase overall fuel efficiency and alternatives;
- Promoting electric vehicles through further research, development and demonstration;
- Developing the SmartWay Transport Program to promote benefits of technologies, products, fuels and plans to reduce petroleum consumption.



Above: 1965 - Resistance of wood-plastic combination table top to fire is demonstrated on symbolic table presented to Governor Edward T. Breathitt, KY.

Below: Barbara Altizer, Eastern Coal Council, attends the 2009 SSEB Associate Members Meeting.



## BIOBASED PRODUCTS AND BIOENERGY DEVELOPMENT

The Southern States Biobased Alliance was established in 2000 as a program of the Southern States Energy Board, addressing the development of biomass for energy within the southern region. The Alliance's mission is to provide leadership and develop strategies that will foster a biobased industry and boost rural economies. Alliance membership is composed of both gubernatorial appointees from state legislatures representing SSEB member states, as well as representatives of the public or private sector who are active in energy, environment, agricultural and forestry issues. Key activities are focused on stimulating markets for biomass and learning about policies and incentives in other states.

SSEB is working with the Coalition of Northeast Governors (CONEG), the Midwestern Governors Association (MGA), the Western Governors' Association (WGA) and the Pacific Regional Biomass Partnership hosted by Washington State University under the auspices of the National Biomass Partnership (NBP). The NBP is a union of the five organizations and their long-standing regional biomass energy programs representing all fifty states, Puerto Rico, the U.S. Virgin Islands and the District of Columbia. All of these organizations are recognized nationally for their combined experience related to biomass technologies

and policies. The American Clean Energy and Security Act contains authorizing language to support the five regional host organizations that comprise the National Biomass Partnership.

This year's focus has been to facilitate partnerships among industry, government, academia and others to advance biomass technologies in the region and nationally. SSEB has contributed in many areas, from assessing the technical viability of technologies and evaluating business plans for power plant development to bringing interested parties together to explore joint ventures. Numerous activities include technical assistance and policy guidance to our member states and others in the region. Through this guidance, the Southern States Energy Board will continue to foster the growth and implementation of a bioeconomy in the South.

## PARTNERSHIPS

Partnerships with government, business, industry, and academia enable the Southern States Energy Board to expand its reach and leverage opportunities to assist its member states. These collaborations allow the Board to increase its program and financial commitments to the benefit of the entire southern region. For example, SSEB's Southeast Regional Carbon Sequestration Partnership is a \$130 million effort with initial funding from the U.S. Department of Energy (DOE) but more than 39 percent of current project funding



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*Above (L to R): Herbert Wheary, Dominion Resources and Dr. Michael Karmis, Virginia Tech, discuss technological advances at the March 2010 SECARB Stakeholders Briefing.*



*Below: Traci Rodosta, DOE; Rep. Myra Crownover, TX; Ken Nemeth, SSEB and Mike Smith, Interstate Oil and Gas Compact Commission, at the March 2010 SECARB Stakeholders Briefing. In the background, Dr. Jim Castle, Clemson University.*



*Above: Jim Kibler, AGI Resources, moderates the 2009 SSEB Associate Members Meeting.*

is from industry partners. Another \$1 million coal and advanced power systems project is supplemented by a committee which includes state and industry officials. A radioactive materials management and transportation project is funded by DOE at \$2.4 million but is managed by a gubernatorially appointed committee of state officials who designate transport routes, train first responders, implement emergency response plans, operate special communications and tracking equipment, institute weather protocols for shipping and manage accident scenarios.

Founded in 1984 by SSEB's Chairman, Governor John Y. Brown of Kentucky, the Board's Associate Members represent the region's leading energy providers, resource companies, educational institutions and technology developers. They contribute invaluable expertise and advice regarding the breadth, development and direction of Board programs and projects as well as the social and economic aspects of state and federal legislation and its effects on the member states and territories. The Board works closely in partnership with its Associate Members to foster knowledge sharing, technology advancement and economic development in the South.

SSEB maintains several special partnerships that advance energy resource development and regulatory issues. A long-standing partnership with the Eastern Coal Council has produced opportunities for joint meetings and sponsorship of ECC's Annual Meeting. Collaboration with the Gasification

Technologies Council has generated annual conclaves for state economic and environmental regulators to study the advantages of emerging gasification plants throughout the country. SSEB is a sponsor of the North Carolina Energy Sustainability Conference and supports the activities of the Florida Bioenergy Council.

To foster regional cooperation, the Board continues a strong working relationship with the Southern Governor's Association and the Southern Growth Policies Board.

Through the U.S. Department of Energy's Office of Clean Energy Collaboration and the U.S. Energy Association, the Board became a founding stakeholder in the Carbon Sequestration Leadership Forum (CSLF) (24 nations) in 2003. These policy and technical meetings further international cooperation and understanding of carbon capture and storage, legal and regulatory issues, intellectual property, CO<sub>2</sub> for enhanced oil recovery and long term carbon storage. On September 8, 2010, the CSLF recognized SSEB's SECARB partnership as an international program of excellence (one of two projects to receive worldwide recognition).

SSEB is a founding member of the Global Carbon Capture and Storage Institute which was formed in 2009 to educate policy-makers and stakeholders on CCS issues. Other intercontinental activities include cooperation with the International Energy Agency and the World Energy Council. Coordination with the National Energy Technology Laboratory and the United Arab





Above: Sharon Tucker, Denbury Resources, Inc. presents information on the Midwest CO<sub>2</sub> Pipeline at the 2009 SSEB Associate Members Meeting.

Below (L to R): Sen. David Myers, OK, and Rep. Harry Geisinger, GA, at the SSEB 2009 Legislative Briefing.



Above: Dr. Leonard Peters, Secretary of the KY Energy and Environment Cabinet, addresses members during the SSEB 2009 Annual Meeting.

Below (L to R): Sen. Jimmy Jeffress, AR, and Gregory Pauley, American Electric Power, consult during the SSEB 2009 Legislative Briefing.



Emirates led to a meeting in June to discuss the UAE's interests in using carbon dioxide for enhanced oil recovery. A follow up meeting with SSEB as host will be scheduled later in the year.

## EDUCATING STAKEHOLDERS

Southern States Energy Board takes seriously its mission of outreach and education through a variety of events, conferences, workshops, panel discussions, exhibits and keynote presentations. Over the past year SSEB presented at and participated in a wide range of activities ranging from a citizen meeting to discuss a proposed new electrical generating plant in Surry County, Virginia to community discussions of residential energy efficiency applications in DeKalb County, Georgia to key energy conversations with the Council of State Governments and the Southern Legislative Conference. Other significant engagements from the past year are listed below:

- West Virginia Coal Association  
*West Virginia and America's Energy Security;*
- Mississippi Energy Coordinators  
*Mississippi and the Energy Future of the South and the Nation;*
- Oklahoma Clean Energy Independence Commission  
*Oklahoma and the Nation's Energy Future;*
- State of Arkansas  
*Legislators Workshop on Lignite;*

- West Virginia Carbon Capture and Storage Working Group  
*CCS Technology and West Virginia Coal;*
- Puerto Rico  
*Renewable Energy Panel: International Trends/Perspectives;*
- Virgin Islands Energy Office and the Island Chamber of Commerce  
*Renewable Energy Strategies;*
- Southeastern Middle School Science Teachers, Atlanta, Georgia  
*Climate Change and Mitigation Techniques including CCS;*
- Greenprints Conference  
*Energy and Reducing Carbon Emissions in Electricity Generation; and*
- Renewable Energy Conference, North Carolina  
*Information Exchange on Renewables.*

SSEB actively works with public utility commissioners in the SSEB region, as well as nationally. The Bonbright Conference, an annual event held in conjunction with the University of Georgia, brings together commissioners from the Southeast to hear a variety of presentations, including the SSEB update on Carbon Capture and Storage and how it could impact regulatory decision-making in southern states. SSEB also cooperates with the utility commissioners in the Eastern Interconnection Planning Collaboration, working through a public stakeholder group to develop a robust process for studies of the electric transmission system in the East.



Above: Jeanelle McCain, Progress Energy, participates in the SSEB 2009 Associate Members Meeting.

Below (L to R): Governor Joe Manchin III, WV, and Richard Esposito, Southern Company, at the March 2010 SECARB Stakeholders Briefing.



Above (L to R): Robert Wright, DOE, and David Alaniz, S&ME, Inc., observe a presentation during the SSEB 2009 Associate Members Meeting.

## THE BOARD THANKS ITS ASSOCIATE MEMBERS:

- AGL Resources
- Alpha Natural Resources
- American Coalition for Clean Coal Electricity
- American Electric Power
- Arch Coal, Incorporated
- Bell Bio-Energy, Incorporated
- Big Rivers Electric Corporation
- ChevronTexaco Corporation
- Dominion
- Duke Energy Carolinas, LLC
- Eastern Coal Council
- Edison Electric Institute
- Entergy Services
- KeLa Energy, LLC
- Kentucky Coal Academy
- Marshall Miller & Associates, Incorporated
- National Coal Council
- National Mining Association
- Nuclear Energy Institute
- NRG Energy, Incorporated
- Peabody Energy
- Progress Energy
- Range Fuels, Incorporated
- Ruff & Tuff Electric Vehicles

- S&ME, Incorporated
- Santee Cooper
- SCANA Corporation
- Shell Oil Company
- Southern Company
- Sterling Planet, Incorporated
- TECO Services, Incorporated
- TXU Energy
- Tennessee Valley Authority

## SOURCES OF SUPPORT

The Southern States Energy Board's core funding comes from annual appropriations from the 18 member states and territories. Each member's share is computed by a formula written into the original Compact. This formula is comprised of an equal share, per capita income and population. The Board has not requested an increase in annual appropriations in more than 20 years. The Compact authorizes the Board to accept funds from any state, federal agency, interstate agency, institution, person, firm or corporation provided those funds are used for the Board's purposes and functions.

This year, additional support was received for special projects from research grants, cooperative agreements and contracts from the U.S. Department of Energy (including awards funded through the National Energy Technology Laboratory). Also, the Board received

Below: Sen. Robert Adley, LA, updates the group on Louisiana legislation at the SSEB 2009 Legislative Briefing.



Above: Rep. Allen Maxwell, AR, takes in a presentation during the SSEB 2009 Annual Meeting.



Below: James Burwell, SCANA Corp., at the SSEB 2009 Associate Members Meeting.



Right: Sen. John Watkins, VA, addresses the SSEB 2009 Annual Meeting.



funding from DOE in November 2009 through the American Recovery & Reinvestment Act of 2009 (ARRA).

Additionally, the SSEB Carbon Management Program/Southeast Regional Carbon Sequestration Partnership's Industry Associates provide an annual monetary contribution to support the SECARB Program. Public Partners may join for a lesser amount per non-profit organization, university or national laboratory. Allocation of these contributions is at the discretion of the Southern States Energy Board to support the program. Industry Associates are provided with regular updates of events and progress, and participate in an annual stakeholder meeting held in Atlanta, Georgia. For a current list of industry associates, as well as all team members, please visit [www.secarbon.org](http://www.secarbon.org).

In addition, SSEB continues to lead an Associate Members Program comprised of industry partners who provide an annual contribution to the Board. Membership includes organizations from the non-governmental sector, corporations, trade associations and public advocacy groups.

## STATE APPROPRIATIONS

Alabama	\$32,572
Arkansas	\$31,027
Florida	\$47,212
Georgia	\$35,782
Kentucky	\$32,197
Louisiana	\$33,817
Maryland	\$37,192
Mississippi	\$29,077
Missouri	\$36,247
North Carolina	\$37,042
Oklahoma	\$32,512
Puerto Rico	\$25,597
South Carolina	\$31,372
Tennessee	\$34,267
Texas	\$55,402
U.S. Virgin Islands	\$25,297
Virginia	\$38,362
West Virginia	\$28,732





**ALABAMA**

**ARKANSAS**

**FLORIDA**

**GEORGIA**

**KENTUCKY**

**LOUISIANA**

**MARYLAND**

**MISSISSIPPI**

**MISSOURI**

**NORTH CAROLINA**

**OKLAHOMA**

**PUERTO RICO**

**SOUTH CAROLINA**

**TENNESSEE**

**TEXAS**

**U.S. VIRGIN ISLANDS**

**VIRGINIA**

**WEST VIRGINIA**



**SOUTHERN STATES  
ENERGY BOARD**

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Fax: (770) 242-9956  
[www.sseb.org](http://www.sseb.org)



# *INTO THE FUTURE*



# 2011

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## ANNUAL REPORT





Gov. Robert McDonnell  
Virginia  
SSEB Chairman

Rep. Myra Crownover  
Texas  
Treasurer



Gov. Haley Barbour  
Mississippi



Sen. Thomas Middleton  
Maryland



Rep. Harry Geisinger  
Georgia

## OUR MISSION

Through innovations in energy and environmental policies, programs, and technologies, the Southern States Energy Board enhances economic development and the quality of life in the South.



Gov. Jay Nixon  
Missouri



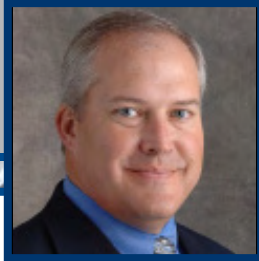
Sen. Robert Adley  
Louisiana



Rep. Jim Ellington  
Mississippi



Vice Chairman  
Rep. Rocky Adkins  
Kentucky



Rep. Chuck Martin  
Georgia  
Chair, SLC Energy &  
Environment Committee



The Honorable  
Linda Breathitt  
Federal Representative



Kenneth Nemeth  
Secretary  
SSEB Executive Director

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### SOUTHERN STATES ENERGY BOARD STAFF

**Kenneth J. Nemeth**  
Executive Director and  
Secretary to the Board  
**Kathryn A. Baskin**  
Managing Director  
**Sally L. Bemis**  
Staff Assistant  
**Patricia A. Berry**  
Geologist  
**Heather M. Breeden**  
Legislative and  
Regulatory Counsel  
**Joan T. Brown**  
Senior Accounting  
Specialist  
**Gary P. Garrett**  
Senior Technical  
Analyst

**Monica A. Masaka**  
Computer Support  
Specialist  
**Leigh T. Parson**  
Grants and Accounting  
Specialist  
**Kathy A. Sammons**  
Director, Business  
Operations  
**Kimberly A. Sams**  
Assistant Director,  
Geoscience Programs  
**Canissa N. Summerhill**  
Program Operations  
Coordinator  
**Christopher U. Wells**  
Assistant Director,  
Nuclear Programs

**Adjunct Staff**  
**Phillip C. Badger**  
SSEB Technical Manager,  
Bioenergy Program  
**Gerald R. Hill, Ph. D.**  
Senior Technical  
Advisor  
**Jim Powell**  
Senior Policy  
Advisor  
**Mark A. Shilling**  
Special Counsel  
  
**Intern**  
**Bryan Grucza**  
Pete B. Turnham  
Intern Program

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Above (L to R): Governor Joe Manchin, III, West Virginia, and Governor Bob McDonnell, Virginia, at the SSEB 50th Annual Meeting Celebration.

## MESSAGE FROM THE CHAIRMAN

America is a Nation blessed with abundant natural resources, industrious people and a will to lead the world in manufacturing and industrial development, job creation, technology development and economic growth. The cornerstone of economic development in our southern region is the wise use of our energy and environmental resources to achieve our goals. An adequate supply of affordable and reliable energy is the foundation of our economic stability and enables communications, clean water resources, transportation, health care, waste management, and even national defense, just to name a few. Leading the country in the development of our indigenous energy resources such as oil, natural gas, coal and nuclear power applications, the South is uniquely prepared to manage our resource base **"Into the Future,"** which is the theme of this 2011 Annual Report.

In the Commonwealth of Virginia, I am dedicated to making our State the "Energy Capitol of the East Coast." For this reason it is with great pride that I serve as Chairman of the Southern States Energy Board, considered to be the regional spokesman for southern states on energy issues. Achieving success in any endeavor at a time of economic crisis is more difficult and this year has been one of unprecedented hardship for many states. And so it is a true testament to initiative and hard work that I report a year of outstanding success for the Southern States Energy Board.

During this past year we have seen extraordinary and unparalleled federal environmental regulatory challenges to the development and use of coal that have amended the fabric of energy businesses and industries, causing a re-evaluation of company resources and jobs. Withdrawn permits and power plant shut downs threaten a corresponding loss of

jobs and increased cost of power. Recently some of these pending regulations have been withdrawn from rulemaking for revisions. The Southern States Energy Board has served as a useful forum for developing strategies and delivering positions from our policy-makers to the Administration and Congress focused on the impact of proposed new regulations on energy security, jobs, economic development and international competitiveness.

Because the South relies on coal fired generation for over 50 percent of its electricity, the Board has maintained a carbon management program to conduct research programs that will enable the continued use of this important resource. The hallmark of this program is the Southeast Regional Carbon Sequestration Partnership (SECARB), one of seven major national efforts funded by the U.S. Department of Energy and the energy industry. The primary goal of the SECARB Partnership is to develop the necessary framework and infrastructure to conduct field tests of carbon dioxide (CO<sub>2</sub>) sequestration and storage technologies and to evaluate potential opportunities for the future commercialization of carbon sequestration. Currently in Phase III of a 10 year program, the SECARB Early Test is the first in the Nation to inject and monitor over 2.5 million tons of CO<sub>2</sub>. The Anthropogenic Test, conducted in concert with the Southern Company, Mitsubishi Heavy Industries and Denbury Resources, is the country's first integrated demonstration and features CO<sub>2</sub> capture, transportation by pipeline and geologic storage. This project is one of three recognized during the past year for its leadership and groundbreaking research by the international Carbon Sequestration Leadership Forum, a pact of 24 nations including the United States.



Right: Gov. Bob McDonnell, VA, speaks to the press as the incoming Chair of the Southern States Energy Board.



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However, the southern states must have a diversified energy portfolio to fuel economic growth, preserve the environment and our quality of life and reduce our dependence on foreign sources of energy. Nuclear energy plays a vital role in this portfolio and already generates 20 percent of our electricity safely and without emitting air pollutants. The Southern States Energy Board supports the expansion of our nuclear power resources and the commercialization of advanced reactors and small modular reactors. For this reason, the Board is a participant in the Consortium for the Advanced Simulation of Light-Water Reactors (CASL), the nation's "nuclear hub" managed by the Oak Ridge National Laboratory. Participating in a leadership role in CASL's Communications Council, the Board will offer its guidance to advise the project on educating policy makers and the public on the advances made in nuclear technologies.

In 2008, Americans paid more than \$720 billion to foreign nations to obtain oil resources primarily for transportation. That figure will increase substantially in 2011 and beyond. While this export of U.S. capital is occurring, little is being done to provide relief from high prices to American consumers and businesses. There is no comprehensive program to provide incentives and mitigate risks to industries to drill, even though more than 75 percent of the Nation's oil reserves remain in the ground. Expanded development of our offshore domestic oil and gas resources is necessary to reduce our dependence on imported oil. States must be guaranteed revenue sharing with the federal government and receive primacy, if requested, for drilling in state waters. Advancements in drilling and computing technologies over the last decade mean that we are able to access reserves of domestic natural gas previously unavailable to cost-effective

development. The availability of this new resource in our shale formations means a departure from historically volatile natural gas prices to prices that are expected to be low and steady over the next decade or more. Hydraulic fracturing and horizontal drilling are keys to the development of this exceptional natural gas resource. Our states have been regulating these practices effectively, in some cases for decades, and are well equipped to make certain this important resource development activity goes forward safely and with adequate environmental protections. An additional layer of review and regulation at the federal level will only add uncertainty and expense to the permitting and development process.

Finally, the security of our aging energy infrastructure must be a priority for our Nation. Our economies and quality of life depend upon it. The incorporation of intermittent renewable resources into capacity markets and onto the grid itself also presents important challenges. In addition, upgrading and modernizing our electric transmission and distribution system can facilitate demand management, conservation and efficiency in important ways. The Southern States Energy Board, through its policy and technology focus, is uniquely positioned to help shape the future and deployment of "Smart Grid" technologies in the South.

The Southern States Energy Board enhances economic development and the quality of life in the South through energy and environmental programs, policies and technologies. I am pleased to submit this 51st Annual Report for your review.

Robert F. McDonnell  
Governor, Commonwealth of Virginia  
Chairman, Southern States Energy Board  
2010-2011





Above (L to R): Rep. Harry Geisinger, GA; Sen. Robert Adley, LA; Rep. Myra Crownover, TX; Governor Joe Manchin, III, WV; Rep. Rocky Adkins, KY; Sen. Mark Norris, TN; and Rep. Jim Ellington, MS, at the SSEB 50th Annual Meeting Press Conference.



Above: Maureen Matsen, SSEB Governor's Alternate, VA, addresses Legislators at the 2011 Briefing to Southern Legislators in Memphis, TN.

## BOARD MEMBERS

### EXECUTIVE COMMITTEE

Chairman: Governor Robert McDonnell, Virginia  
 Vice Chairman: Representative Rocky Adkins, Kentucky  
 Treasurer: Representative Myra Crownover, Texas  
 Governor Haley Barbour, Mississippi  
 Governor Jay Nixon, Missouri  
 Senator Robert Adley, Louisiana  
 Senator Thomas McLain Middleton, Maryland  
 Representative Harry Geisinger, Georgia  
 Representative Jim Ellington, Mississippi  
 Representative Charles Martin, Georgia<sup>^</sup>  
 Federal Representative: Ms. Linda Key Breathitt\*  
 Secretary: Mr. Kenneth J. Nemeth, Executive Director\*

<sup>^</sup>Chair, SLC Energy & Environment Committee

\*Ex-Officio, Non-Voting Executive Committee Member

### ALABAMA

Governor Robert Bentley  
 Senator Jimmy W. Holley  
 Senator Cam Ward  
 Senate Alternate  
 Representative Randy Davis  
 Representative Micky Hammon  
 Governor's Alternate

### ARKANSAS

Governor Mike Beebe  
 Senator Eddie Joe Williams  
 Representative Tiffany Rogers  
 Mr. Marc Harrison, Governor's Alternate

### FLORIDA

Governor Rick Scott  
 Senator Lizbeth Benacquisto  
 Representative Clay Ford  
 Governor's Alternate (*Pending Appointment*)

### GEORGIA

Governor Nathan Deal  
 Senator David Shafer  
 Senator Ross Tolleson, Senate Alternate  
 Representative Harry Geisinger  
 Representative Lynn Smith, House Alternate  
 Ms. Jill Stuckey, Governor's Alternate

### KENTUCKY

Governor Steve Beshear  
 Senate (*Pending Appointment*)  
 Representative Rocky Adkins  
 Dr. Leonard K. Peters, Governor's Alternate



(L to R): Moderator - Rep. Rocky Adkins, KY; Panelists - Sen. Robert Adley, LA; Rep. Clay Ford, FL; and Sen. Mark Norris, TN, addressed Board members on "Energy Futures-The Legislative Perspective" at the SSEB 50th Annual Meeting.

Left: (L to R) Rep. Randy Davis, AL, and Sen. Mark Norris, TN, at the Briefing to Southern Legislators.

### LOUISIANA

Governor Bobby Jindal  
 Senator Robert Adley  
 Representative Joe Harrison  
 Representative Noble Ellington, House Alternate  
 Mr. William "Bill" Doré, Governor's Alternate

### MARYLAND

Governor Martin O'Malley  
 Senator Thomas McLain (Mac) Middleton  
 Delegate Dereck E. Davis  
 Delegate Sally Y. Jameson  
 House Alternate  
 Mr. Malcolm D. Woolf, Governor's Alternate

### MISSISSIPPI

Governor Haley Barbour  
 Senator Nolan Mettetal  
 Representative Jim Ellington  
 Mr. Patrick Sullivan, Governor's Alternate

### MISSOURI

Governor Jay Nixon  
 Senator Mike Kehoe  
 Representative Jeanie Riddle  
 Mr. Jeff Harris, Governor's Alternate

### NORTH CAROLINA

Governor Bev Perdue  
 Senator Robert Rucho  
 Representative Mitch Gillespie  
 Ms. Jennifer Bumgarner, Governor's Alternate

### OKLAHOMA

Governor Mary Fallin  
 Senator David F. Myers  
 Representative Weldon Watson  
 Mr. C. Michael Ming, Governor's Alternate

### PUERTO RICO

Governor Luis G. Fortuño  
 Mr. Jose Rafael Diaz, House Legislative Counsel  
 Mr. Luis Bernal, Governor's Alternate

### SOUTH CAROLINA

Governor Nikki Haley  
 Senator Lawrence Grooms  
 Representative William E. "Bill" Sandifer  
 Governor's Alternate (*Pending Appointment*)

### TENNESSEE

Governor Bill Haslam  
 Senator Mark Norris  
 Representative John Ragan  
 Mr. Mark Cate, Governor's Alternate

### TEXAS

Governor Rick Perry  
 Senate (*Pending Appointment*)  
 Representative Myra Crownover  
 Mr. Barry Smitherman, Governor's Alternate

### VIRGIN ISLANDS

Governor John P. deJongh  
 Governor's Alternate (*Pending Appointment*)

### VIRGINIA

Governor Robert F. McDonnell  
 Senator John C. Watkins  
 Delegate Harry R. Purkey  
 Ms. Maureen Matsen, Governor's Alternate

### WEST VIRGINIA

Governor Earl Ray Tomblin  
 Senator Mike Green  
 Delegate Linda Goode Phillips  
 Mr. John F. Herholdt, Governor's Alternate



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*U.S. Senator Lindsey Graham, SC, speaks on "Nuclear Energy: Renaissance or Requiem."*



*U.S. Senator Mark Warner, VA, discusses "Oil and Gas Development: The Onshore and Offshore Challenge."*



*U.S. Senator Joe Manchin, III, WV, leads the dialogue on "EPA Regulations and Impact on Energy and the Economy."*

## PROGRAMS

The Southern States Energy Board operates and oversees a wide variety of energy and environment programs. Topics from water use to carbon sequestration, biomass to nuclear waste transportation, legislative and regulatory action to energy independence and security fall under the purview of SSEB.

### GOVERNORS ENERGY SUMMIT

On October 4, 2011, Governor Bob McDonnell, SSEB Chairman, hosted governors, members of Congress, industry leaders and SSEB members and alternates for a discussion related to vital concerns impacting America's energy resources and our troubled economy. During the Governors Energy Summit in Alexandria, Virginia, the governors, Congressmen and key energy private sector CEO's addressed three topics that are integral to making our Nation more energy and economically secure.

The first topic, oil and gas development, was introduced by Governor Robert Bentley, Alabama; U.S. Senator Mark Warner, Virginia; Mr. Terry McCallister, Chairman and CEO of Washington GAS; and Mr. Mike Ward, Executive Director of the Virginia Petroleum Council. The panel focused on offshore oil and gas reserves, lying between three and 200 miles off the coast of 20 states, awaiting drilling approvals that can provide American jobs and supply needed fuels. However, the group emphasized that the Department of the Interior has no plans to consider development of Atlantic resources before 2017. In conjunction to

this issue, governors opined that federal legislation is needed to return future federal revenues from leases off the Atlantic coast to the states and to increase the share of future offshore federal revenues to the Gulf Coast states.

The second topic, Nuclear Energy: Renaissance or Requiem was introduced by Governor Haley Barbour, Mississippi. U.S. Senator Lindsey Graham, South Carolina and Mr. Stephen Kuczynski, Chairman, President and CEO of Southern Nuclear Operating Company joined Governor Barbour in addressing key barriers that the expansion of nuclear power faces such as delays in approval of advanced reactor designs by the Nuclear Regulatory Commission (NRC); a unilateral decision to end development of Yucca mountain; the pending retirement of nuclear facilities critical to meeting demand for reliable electricity; and costs for new infrastructure investment.

The final dialogue centered on the Environmental Protection Administration's (EPA) regulations and their impact on energy and the economy. Governor Bob McDonnell was joined by U.S. Senator Joe Manchin III, West Virginia; and Mr. Kevin Crutchfield, CEO, Alpha Natural





Above: Sen. John Watkins, VA, at the SSEB 50th Annual Meeting.

Below (L to R): Rep. Mitch Gillespie, NC, and Governor Robert Bentley, AL, at the 2011 SSEB Governors Energy Summit.



Above: Rep. Jim Ellington, MS, speaks on "Advanced Clean Coal Technology" at the 2011 Briefing to Southern Legislators.

Resources, Inc. to examine the repercussions of the process, the timeline and economic implications of these actions. Panelists commented on the withdrawal of previously issued mining permits, the closing of dozens of coal fired power plants in the country and the issues of reliability and energy security.

In conclusion, all parties agreed that Governors should show the way and that building coalitions with Congress is critical to achieving consensus on energy issues of national importance. Under Governor McDonnell's leadership, SSEB continues to be the "voice on energy issues in the South."

## ENERGY AND ENVIRONMENT LEGISLATIVE PRIORITIES AND ANALYSIS

The Southern States Energy Board's Annual Legislative Digest serves as a compendium of energy and environmental legislation passed by the Board's 18 member states and territories. For more than four decades, SSEB has published the Digest as a reference tool and guide for state legislators and their staffs. The Digest thoroughly examines and tracks legislative trends by state.

In the wake of recent proposed regulations by the U. S. Environmental Protection Agency (EPA) that could have serious, debilitating economic implications and effects on the U.S. power supply, this year many of our member states attempted to address possible federal regulations related to greenhouse gases. Twelve of our member states attempted and six adopted legislation

to limit the regulation of greenhouse gases in their state or to urge the U.S. Congress to prohibit the EPA from regulating gases or imposing other regulations that could hamper economic growth.

During the 2011 legislative sessions, the southern states passed approximately 545 energy and environmental bills. Besides addressing EPA greenhouse gas regulations, several states promoted electric and alternative fueled vehicles with four states adopting measures involving tax incentives and other incentives for the purchase and operation of electric and alternative fueled vehicles. Several states addressed important economic development goals through energy and environmental legislation. State legislation includes various incentives to support the development of renewable energy enterprises or economic zones as well as the revitalization of brownfields to encourage alternative business development and recreational activities.

## CONSORTIUM FOR ADVANCED SIMULATION OF LIGHT WATER REACTORS

The Consortium for Advanced Simulation of Light Water Reactors (CASL) is the newest project in the Board's nuclear energy portfolio. CASL is a \$122 million dollar effort sponsored by the Department of Energy (DOE) to create an energy innovation hub to foster the development of the next generation of nuclear reactors. This task is headquartered at DOE's Oak Ridge National Laboratory (ORNL).

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Above: Compacting backfill for Unit 4 with Plant Vogtle Units 1 and 2, December 2, 2010.

SOURCE: 2010 Southern Company, Inc.

Below: Mobile transporter unit moves spent fuel dry storage cask for placement on a concrete pad. SOURCE: Nuclear Power Plant Spent Fuel Storage Systems



The first task will be to develop computer models that simulate nuclear power plant operations, forming a “virtual reactor” for the predictive simulations of light water reactors. Other tasks include using computer models to reduce capital and operating costs per unit of energy, safely extending the lifetime of existing U.S. reactors and reducing nuclear waste volume generated by enabling higher fuel burn-ups.

In addition to the technical aspects of the program, the overall scope of the project includes five topical councils that integrate CASL work products and personnel with the broader scientific and engineering community. One of these areas, the Communications, Policy and Economic Development Council (CPEDC), is chaired by Ken Nemeth, Executive Director of the Southern States Energy Board. The CPEDC serves as the project lead for informing and educating stakeholders and decision-makers throughout the country regarding the achievements and opportunities created by CASL.

The inaugural meeting of the CPEDC took place in Atlanta, Georgia, on April 28th. The Council developed a list of ideas and activities to advocate the continuation and promotion of the CASL project, discussed the elements of a communications plan and arranged for a future tour at ORNL to witness the operational aspects of the CASL project. A highlight for the national program was the passage of a CASL Resolution by the Southern Legislative Conference at

their 65th Annual Meeting in Memphis on July 19th. The resolution endorsed the commitment by (DOE) to support this effort to enhance American capabilities in the nuclear arena. It was sponsored by Tennessee Senate Majority Leader Mark Norris and Representative John Ragan.

## RADIOACTIVE MATERIALS TRANSPORTATION

The Southern States Energy Board continues to provide regional representation regarding pertinent nuclear policy issues through the efforts of its Radioactive Materials Transportation Committee. Members of the Committee include gubernatorially-appointed state emergency response planners, radiological health professionals and other state agency officials engaged in radioactive materials transportation issues. Historically, the Committee has worked closely with the U.S. Department of Energy’s Office of Civilian Radioactive Waste Management (OCRWM) to address specific matters relevant to the development of a national repository.

Presently, the current administration has disbanded the responsibilities of OCRWM in favor of a Blue Ribbon Commission (BRC) on America’s Nuclear Future. The BRC released an interim report in July 2011 providing recommendations for developing a safe, long-term solution to managing the Nation’s used nuclear fuel and nuclear waste. The final version of the report will be issued by the end of the calendar year. Prior to release



## Louisiana WIPPTREX in Shreveport on April 7, 2011



Lead WIPPTREX Coordinator Pliny Auzenne (center) of the Louisiana Governor's Office of Homeland Security and Emergency Preparedness discusses exercise objectives with DOE officials.



Firefighters respond to accident scene to offer first aid.



Accident victims are isolated by the severity of their injuries.



First responders are screened for radioactive contamination.

of the final report, the BRC will hold several public meetings around the country to solicit comments on their draft report.

SSEB's Radioactive Materials Transportation Committee remains cognizant of the issues related to this program and will lend its expertise to the Commission's forum in order to develop a comprehensive approach to meeting the needs of the southern states' and the Nation on policy related to nuclear power and the transportation of spent fuel and high-level radioactive waste.

### TRANSURANIC WASTE TRANSPORTATION

SSEB's Transuranic (TRU) Waste Transportation Working Group continues to assist the Department of Energy's (DOE) national laboratories with clean-up efforts of Cold War era contaminants from the production of nuclear weapons. TRU waste mainly consists of solid items such as protective clothing and gloves, rags, lab instruments and equipment, as well as other items that have become contaminated by transuranic isotopes. The TRU Working Group's main objective is to establish and maintain policies and procedures necessary to safely transport shipments of TRU waste through the southern region enroute to the Waste Isolation Pilot Plant (WIPP) near Carlsbad, New Mexico. SSEB acts as liaison for the states to identify, prioritize and resolve regional issues related to the transportation of TRU waste. These activities are undertaken through a

cooperative agreement with DOE's Carlsbad Field Office. Total funding from the agreement in excess of \$1.8 million dollars supports emergency response preparedness activities, equipment purchases, public outreach programs, shipment tracking and other planning activities in each state. The gubernatorial appointees of the TRU Working Group represent a variety of disciplines including radiological health, emergency response and transportation planning.

The Oak Ridge National Laboratory (ORNL) in Tennessee and Savannah River Site (SRS) in South Carolina continue to be the major generators of the South's TRU inventory but the region is also impacted by several small quantity sites (SQS) in the northeastern part of the country. The states of West Virginia, Maryland and Virginia, all of which will be affected by this new route, have trained their personnel along this corridor to respond to a potential accident. Most recently, a SQS shipment departed from the Bettis Atomic Power Laboratory in West Mifflin, Pennsylvania, in September 2011. The Bettis shipment traversed the aforementioned states before connecting with SSEB's primary I-20 transportation route to the WIPP site.

Since opening in 1999, the WIPP facility has processed over 9,800 shipments. SRS has made 1,250 of those shipments and is approaching 2 million miles of highway transport. ORNL has been in the shipment queue for approximately three years and has

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*Left to Right:*  
*Top Row:*  
 Jared Thompson, AR  
 James McNees, AL  
 Alan Jacobson, MD  
 Matt McKinley, KY

*Middle Row:*  
 Ann Troxler, LA  
 Alice Rogers, TX  
 Mike Welling, VA  
 Les Foldesi, VA

*Bottom Row:*  
 Diana Sulas, NC  
 Lee Cox, NC



*Alex Thrower*



*SERC Committee Members at the August 2011 meeting receive a presentation from Alex Thrower, Counsel and Staff Director of the Transportation and Storage Subcommittee of the Blue Ribbon Commission on America's Nuclear Future.*

amassed over 100 movements representing 200,000 transport miles within the program. Other activities that took place during the year included a WIPP Transportation Exercise (WIPPTREX) in Shreveport, Louisiana. This exercise allowed the state and local emergency response agencies to demonstrate their preparedness for responding to an accident involving a WIPP shipment.

## **FOREIGN RESEARCH REACTOR SPENT NUCLEAR FUEL PROGRAM**

The Southern States Energy Board emerged as a partner in this program in 1994 when the U.S. Department of Energy (DOE) requested assistance in the planning efforts to transport two urgent-relief shipments of spent fuel from foreign countries to the Savannah River Site (SRS). After completion of these shipments, spent fuel under the auspices of this program would be sent to either SRS or the Idaho National Laboratory (INL) based on the fuel type. The origins of this fuel can be traced to the "Atoms for Peace" program of the 1950's during which the United States began providing foreign countries with nuclear technology to be used for peaceful research and medical uses, thereby encouraging them to refrain from the development of nuclear weapons. In order to strengthen this non-proliferation policy, the United States assisted the foreign entities in converting their reactors to use low enriched uranium and also agreed to

take back and manage the spent fuel.

To achieve the goals of this program, SSEB formed two committees: the Foreign Research Reactor Spent Nuclear Fuel Transportation Working Group and the Cross-Country Transportation Working Group (CCTWG). The purpose of these committees is to provide state participation in the DOE planning effort to successfully carry out a 23-year shipping campaign (1996-2019) under which the United States would accept up to 19.2 metric tons of spent nuclear fuel from research reactors all over the world. This campaign could yield approximately 150-300 shipments entering the southern region via the Joint Base Charleston-Weapons Station. Since their formation, these committees have assisted the transportation planning process by informing their state agencies and local officials about the program, coordinating with the shippers and state officials to develop a transportation plan and identifying first responder needs. Additionally, the CCTWG has the added task of providing DOE with a forum to develop a transportation plan for the safe and efficient shipment of this material from SRS to INL. SSEB membership in the CCTWG is comprised of the states of South Carolina, Georgia, Tennessee and Kentucky.

The overwhelming majority of these shipments enter the United States via the Joint Base Charleston-Weapons Station at a rate of about two per year. As we enter the fifteenth year of the campaign, 45 shipments





Dr. Susan D. Hovorka, Gulf Coast Carbon Center, and Mr. David Freeman, Sandia Technologies, provide participants with an overview of the monitoring tools deployed at the site.



L to R: monitoring well and injection well located at the Phase III Detailed Area of Study in Cranfield, MS.



Participants were given an opportunity to view and analyze core samples collected from a nearby well.

have arrived in the United States through our region. The most recent shipment was received at SRS in September 2011.

## SOUTHERN EMERGENCY RESPONSE COUNCIL

The Southern Emergency Response Council (SERC) exists as a formalized mutual aid agreement among the southern region to provide emergency response assistance to one another in case of a radiological incident. Created in 1972, SERC representation is comprised of the 14 signatory states of the Southern Agreement for Mutual State Radiological Assistance including: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, Texas and Virginia.

The Southern Agreement for Mutual State Radiological Assistance is implemented through the Southern Mutual Radiation Assistance Plan (SMRAP). Created as a blueprint for coordinating radiological emergency assistance capabilities among participating states in the southern region, SERC representatives review, revise and administer SMRAP on an annual basis to reflect changes in state emergency response capabilities and equipment. This document outlines the mutual aid agreement, the implementation process, emergency response contacts and available state resources.

An annual SERC meeting is held by SSEB to provide members with a forum to discuss matters related to SMRAP. The group convened last year in Portland, Oregon, to ratify SMRAP for 2010. Furthermore, SSEB operates as the regional coordinator for the testing of SMRAP activation procedures during joint power plant exercises between the states. The most recent simulation occurred on August 9, 2011, and involved the McGuire Nuclear Station in North Carolina.

The states convened most recently on August 22, 2011, in Richmond, Virginia, to update SMRAP.

## CARBON MANAGEMENT: THE SOUTHEAST REGIONAL CARBON SEQUESTRATION PARTNERSHIP (SECARB)

The Southeast Regional Carbon Sequestration Partnership (SECARB) is a program underway at the Southern States Energy Board to define the role for clean coal in a carbon constrained world and balance the environmental effects of existing and prospective power generating facilities. The SECARB program represents a 13-state region, including Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas and Virginia and portions of Kentucky and West Virginia. SECARB is comprised of over 100 participants representing federal and state governments, industry, academia and non-profit organizations.

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## SECARB Anthropogenic Test



Above: Data collection (whole core) at the characterization well, Citronelle, AL.



Left: The modular units for the CO2 capture facility were assembled in Tuscaloosa, AL, and barged down the Mobile River for delivery at Plant Barry in Bucks, AL.



Right: Construction of CO2 Capture unit at Alabama Power's Plant Barry in Bucks, AL.

Right: Characterization well during drilling operations, Citronelle, AL.



The primary goal of the SECARB Partnership is to develop the necessary framework and infrastructure to conduct field tests of carbon dioxide (CO2) sequestration and storage technologies and to evaluate potential opportunities for the future commercialization of carbon sequestration. The SECARB partners are accomplishing this goal in three phases. During Phase I (2003-2005), SECARB completed an initial screening of potential sources and terrestrial and geologic sinks for carbon sequestration and developed action plans for small-scale field demonstrations. SECARB's Phase II Validation Program (2005-2011) implemented the Phase I action plans and conducted three small-scale field tests in four locations. As of September 30, 2010, all Phase II field tests were completed. The 10-year Phase III Development Program began in 2007 with a goal to develop an integrated CO2 capture, transportation and geologic storage project utilizing post-combustion CO2 captured from a coal-fired power generating facility. Phase III includes two projects; the Early Test and the Anthropogenic Test (CO2 from coal combustion). The Phase III Early Test is underway, and the Anthropogenic Test began earlier this year with the drilling of a characterization well.

Significant accomplishments of SECARB's Early Test include the following:

- Became the first RCSP to monitor a 1 million tonne CO2 injection; and
  - Was one of three international projects recognized by the Carbon Sequestration Leadership Forum in 2010.
- SECARB continues to characterize the region's onshore and offshore geologic storage options; identify barriers and opportunities for the wide-scale construction of pipelines to transport CO2 for sequestration, enhanced oil recovery and other commercial uses; monitor federal and state regulatory and legislative activities; and support education and outreach efforts related to the program.
- SECARB is one of seven regional partnerships nationwide. The Partnership receives approximately 69 percent of its funding from the U.S. Department of Energy's National Energy Technology Laboratory and the other 31 percent is provided by cost share partners.

**SECARB**  
Southeast Regional Carbon  
Sequestration Partnership



Above: RECS 2011 participants visited Alabama Power's Plant Gorgas, where the University of Alabama is leading a regional site characterization project for NETL.



Left: Participants in the 2011 Research Experience in Carbon Sequestration.



Right: RECS 2011 participants toured the National Carbon Capture Center in Wilsonville, Alabama, and also received a technical briefing on Mississippi Power's Kemper County Plant.

## SOUTHEAST REGIONAL CO<sub>2</sub> SEQUESTRATION TRAINING PROGRAM (SECARB-Ed)

Carbon capture and storage (CCS) technologies have tremendous potential for reducing carbon dioxide (CO<sub>2</sub>) emissions and mitigating global climate change. These technologies encourage economic growth and have manageable influence on energy use. Deploying these technologies on a commercial scale will require expanding the workforce, including geologists, engineers, scientists and technicians trained in CCS specialties.

The U.S. Department of Energy's (DOE) National Energy Technology Laboratory (NETL) selected seven projects to receive more than \$8.4 million in funding to help develop regional sequestration technology training centers in the United States. The majority of this funding is being provided by the American Recovery and Reinvestment Act (ARRA) of 2009.

NETL partnered with the Southern States Energy Board and others, from both industry and academia, to develop the Southeast Regional CO<sub>2</sub> Sequestration Training Program (SECARB-Ed) for the southern United States. This effort establishes a CCS regional training program to facilitate national and global delivery of CCS technologies. By addressing climate change and developing near-zero emission technologies that will significantly reduce CO<sub>2</sub> emissions from industrial plants, the project advances the United States in its position as the leader in CCS technologies.

This year's accomplishments include the presentation of twelve training courses in eight different states and Washington, DC, in which 502+ participants received training and 1,061 Professional Development Hours were awarded. Course highlights include the World Bank CCS Training Session that occurred in Washington, DC, and the SECARB-Ed Flagship course in collaboration with EnTech Strategies, Research Experience in Carbon Sequestration (RECS 2011). RECS is an intensive 10-day program which is led by a world-class faculty of CCS experts from industry, the research community, non-government organizations and government. It combines classroom instruction with group exercises, CCS site visits and hands-on activities such as geologic storage site characterization, CO<sub>2</sub> monitoring, modeling fluid flow in the subsurface, CCS deployment strategies and communications training. RECS 2011 was hosted in Birmingham, Alabama, on June 5-15, 2011, by EnTech Strategies, SECARB-Ed and Southern Company with sponsorship from the U.S. Department of Energy's, Office of Fossil

## SECARB-Ed Southeast Regional Carbon Sequestration Technology Training Program

Energy and the National Energy Technology Laboratory.

For more information on training courses, dates and locations, see [www.secarb-ed.org](http://www.secarb-ed.org).

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(L to R): Rep. Harry Geisinger, GA, Ken Nemeth, SSEB Executive Director, and Linda Breathitt, SSEB Federal Representative, at the Dominion's Virginia City Hybrid Energy Center.



Right: Dr. Peter Walsh, University of Alabama at Birmingham, leads a tour of the cap rock integrity lab and conducts an experiment to calculate the permeability of a sample. (RECS, June 2011)



Right: Denbury's Green Pipeline construction. SOURCE: Denbury Resources, Inc.

## CO<sub>2</sub> PIPELINE AND OFFSHORE STUDIES

Under the auspices of the Southeast Regional Carbon Sequestration Partnership (SECARB), SSEB and the Interstate Oil and Gas Compact Commission (IOGCC) commissioned two studies; one focused on carbon dioxide (CO<sub>2</sub>) pipelines and the other on offshore transport and geologic storage of CO<sub>2</sub>.

As commercial CO<sub>2</sub> capture and storage (CCS) projects evolve, the need for a national CO<sub>2</sub> pipeline infrastructure of sufficient scope and capacity will be needed to handle the expected volumes. In 2009, SSEB and IOGCC formed a Pipeline Transportation Task Force (PTTF) to identify barriers and opportunities for the potential wide-scale construction of pipelines to transport CO<sub>2</sub> for sequestration, enhanced oil recovery and other uses. The PTTF's research findings are summarized in A Policy, Legal, and Regulatory Evaluation of the Feasibility of a National Pipeline Infrastructure for the Transport and Storage of Carbon Dioxide which was released in January 2011. The report provides recommendations from the PTTF's evaluation of the regulatory status and current level of development of CO<sub>2</sub> pipelines and identifies policies that would encourage national build-out of a future CO<sub>2</sub> pipeline system in the United States.

CO<sub>2</sub> sequestration in sub-seabed geologic structures (CS-SSGS) has yet to be performed in the United States, although

offshore sequestration has been proposed as part of the PurGen One coal gasification project led by SCS Energy in New Jersey. In 2009-2010 as part of the SECARB Program, the Geological Survey of Alabama and the Texas Bureau of Economic Geology identified the potential geologic strata suitable for storage beneath the Gulf of Mexico and estimated the storage capacity. In 2010, SSEB and IOGCC convened an Offshore Task Force of experts to build upon this assessment and explore topics that should be considered to develop and apply a robust legal and regulatory framework that will facilitate the deployment of successful CS-SSGS projects. A Preliminary Evaluation of Offshore Transport and Storage of Carbon Dioxide will be released in October 2011 and provides basic information and recommendations that will assist regulators, policy-makers, legal professionals and carbon-emitting industries in evaluating the potential for CS-SSGS projects.

## CLEAN COAL AND ADVANCED COAL TECHNOLOGY

Because coal resources have accounted for over 50 percent of the South's electricity generation for many decades, the SSEB has maintained a coal development and utilization emphasis since 1984. Increasing the use of coal and promoting innovative technologies to make coal cleaner and more efficient are the purviews of the Southern States Energy Board's Committee on Clean Coal and Energy Technologies Collaboration.

*State Energy Policy and Initiatives: Making It Happen at  
the 2011 SSEB Associate Members Meeting*



*Secretary Len Peters  
Kentucky  
Energy and Environment Cabinet*



*Jeff Herholdt  
West Virginia  
Division of Energy*



*Jill Stuckey  
Center of Innovation for Energy,  
GA Environmental Finance Authority*

This Committee is one of the Board's most active government and industry partnerships. The membership and activities of the Committee stretch across the world and include an interface with the World Energy Council and the international Carbon Sequestration Leadership Forum. This enables the Committee to pursue domestic and international programs and projects.

The SSEB is a co-sponsor of the Eastern Coal Council annual meeting. In conjunction with that meeting on May 23-24, the Committee on Clean Coal and Energy Technologies Collaboration held a joint session and a two day conference, culminating with a visit to Dominion's Virginia City Hybrid Energy Center. The highlight of the joint session was an address by James F. Wood, Deputy Assistant Secretary of the U.S. Department of Energy. Presentations focused on carbon capture and storage of carbon dioxide (CO<sub>2</sub>) and greenhouse gas legislation in the states; the SSEB/IOGCC CO<sub>2</sub> Pipeline Study; EPA rules and regulations and their impacts on jobs and the economy; the Research Experience in Carbon Sequestration education and outreach program; and progress on siting and development of new power plants including Mississippi Power's Plant Ratcliffe, CO<sub>2</sub> capture at Alabama Power's Plant Barry, and Dominion's Virginia City Hybrid Energy Center.

During the past year the Committee's domestic agenda has focused on increasing coal production and educating policy-makers

on the many technologies available to make coal clean and efficient. This has included assistance to Pike County, Kentucky, in the preparation and implementation of a county-wide energy strategy incorporating clean coal and advanced technologies. Pike County, one of the largest coal producing areas in the world, has become the first county in the Nation to develop a comprehensive energy policy to be a leader in America's energy independence. The goal is to develop the public-private partnerships necessary to create a value-added energy industry. Pikeville University currently is examining the process for establishing an Energy Research Center that will focus on technologies related not only to coal and natural gas but also to biomass/biofuels, hydroelectric power and other forms of alternative energy. SSEB is working with Pike County Judge/Executive Wayne T. Rutherford and the President of Pikeville University, former Kentucky Governor Paul Patton. During the past year, the Board also continued to work with the Kentucky Coal Academy and its President, Dr. Bill Higginbotham, in providing college-level education and training for coal miners and commercials promoting the coal industry in the Commonwealth.

Of increasing interest to SSEB's Committee on Clean Coal and Energy Technologies Collaboration is the role of state regulators in the planning, siting, permitting and development of new coal power plants in the southern region. Regulatory decisions and

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Left: Paul Loeffelman, American Electric Power, speaks at the 2011 Briefing to Southern Legislators.

Right (L to R): U.S. Congressman Ed Whitfield, KY, Linda Breathitt, SSEB Federal Representative, and Rep. Rocky Adkins, KY. The Honorable Ed Whitfield speaks on "Forging Unity: Congressional Perspectives on America's Energy" at the SSEB 50th Annual Meeting.



actions impact fuel choice and the design of power plants throughout the region with efforts focused on the elimination of greenhouse gases and the utilization of CO2 capture and storage technologies. In a cooperative effort with the Gasification Technologies Council, the SSEB co-sponsors two workshops each year for state regulators, seeking to provide an education-based examination of gasification technologies, their reduced greenhouse gas impacts and "carbon footprint."

The Southeastern Regional Carbon Sequestration Partnership, managed by the SSEB, is an important element of Committee interest and its activities are discussed in a previous section of this Annual Report.

The international activities of the Committee examines opportunities to export coal and clean coal technologies to developing countries in cooperation with U.S. companies interested in international business. In 2002, the SSEB and the Industrial Estate Authority of Thailand signed a Memorandum of Agreement to explore measures to improve and enhance the economic and environmental performance of Thai industrial estates. The current agreement has led to trade missions and reverse trade missions, visits to industrial estates, cooperative ventures between U.S. and Thai partners, international conferences and workshops and eco-industrial development proposals to turn waste streams into productive resources, providing solutions to environmental damage and

stimulating markets for new products. The goal is the continued involvement of southern U.S. manufacturing and service industries in finding solutions to industrial problems through international business. During this past year, the Board provided funding and an instructor for the Asian Institute of Technology's major workshop on carbon dioxide capture and sequestration in Bangkok, Thailand.

The activities of the Committee are conducted in cooperation with the U.S. Department of Energy

## **BIOBASED PRODUCTS AND BIOENERGY DEVELOPMENT**

Southern States Energy Board has a long history of analyzing and advancing the use of renewable energy in the southern states. While these resources are regional in nature, the South has numerous opportunities to advance the practical deployment of these technologies. Without a doubt, biomass is the primary renewable resource in the southern region.

SSEB is working with the Coalition of Northeast Governors (CONEG); the Midwestern Governors Association (MGA); the Western Governors' Association (WGA); and the Pacific Regional Biomass Partnership, hosted by Washington State University under the auspices of the National Biomass Partnership (NBP). The NBP is a union of the five organizations and their long-standing regional biomass energy





*Above: Dr. Thom Mason, Director, Oak Ridge National Laboratory, U.S. DOE, gives the Luncheon Address during the SSEB 50th Annual Meeting.*

*Below: Justin Maierhofer of TVA speaks during the 2011 Annual Briefing to Southern Legislators.*



*Above: Steven Leer, Chairman/CEO, Arch Coal, Inc., addresses Board Members at the SSEB 50th Annual Meeting.*

programs representing all fifty states, Puerto Rico, the U.S. Virgin Islands and the District of Columbia. All of these organizations are recognized nationally for their combined experience related to biomass technologies and policies.

This year's focus has been to facilitate partnerships among industry, government, academia and others to advance biomass technologies in the region and nationally. SSEB has contributed in many areas, from assessing the technical viability of technologies and evaluating business plans for power plant development to bringing interested parties together to explore joint ventures. Numerous activities include technical assistance and policy guidance to our member states and others in the region. Through this guidance, the Southern States Energy Board will continue to foster the growth and implementation of a bioeconomy in the South.

## **PARTNERSHIPS**

Partnerships with government, business, industry, and academia enable the Southern States Energy Board to expand its reach and leverage opportunities to assist its member states. These collaborations allow the Board to increase its program and financial commitments to the benefit of the entire southern region. For example, SSEB's Southeast Regional Carbon Sequestration Partnership (SECARB) is a \$137 million effort with initial funding from the U.S. Department of Energy (DOE) but more

than 31 percent of current project funding is from industry partners. Another \$1 million coal and advanced power systems project is supplemented by a committee which includes state and industry officials. A radioactive materials management and transportation project is funded by DOE at more than \$2.0 million that is managed by a gubernatorially appointed committee of state officials who designate transport routes, train first responders, implement emergency response plans, operate special communications and tracking equipment, institute weather protocols for shipping and manage accident scenarios.

Founded in 1984 by SSEB's Chairman, Governor John Y. Brown of Kentucky, the Board's Associate Members represent the region's leading energy providers, resource companies, educational institutions and technology developers. They contribute invaluable expertise and advice regarding the breadth, development and direction of Board programs and projects as well as the social and economic aspects of state and federal legislation and its effects on the member states and territories. The Board works closely in partnership with its Associate Members to foster knowledge sharing, technology advancement and economic development in the South. This year the Associate Members made policy recommendations to the Board regarding U.S. Environmental Protection Agency (EPA) greenhouse gas regulations, technologies to be considered as Best Available Control

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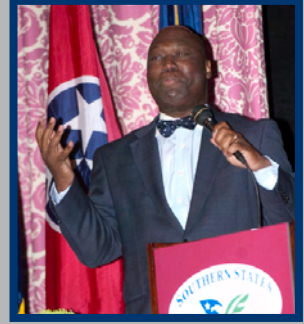
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*Below (L to R): Linda Breathitt, SSEB Federal Representative and Gov. Steve Beshear, KY, take in a presentation during the SSEB 50th Annual Meeting.*



*Above: Sen. Robert Adley, LA, at the 2011 SSEB Briefing to Southern Legislators, giving his perspective on natural gas production.*

*Below: Texas Railroad Commissioner Michael Williams gives a talk on "A Future of Abundant, Affordable Clean Energy: Opening the Doors for a Diverse Energy Portfolio in Texas and the U.S." at the SSEB 50th Annual Meeting.*



Technologies (BACT) under the EPA BACT rule and nuclear plant cost reimbursement, tariff law and tax incentives.

SSEB maintains several special partnerships that advance energy resource development and regulatory issues. A long-standing partnership with the Eastern Coal Council has produced opportunities for joint meetings and sponsorship of its Annual Meeting. Collaboration with the Gasification Technologies Council has generated annual conclaves for state economic and environmental regulators to study the advantages of emerging gasification plants throughout the country.

Through the DOE's Office of Clean Energy Collaboration and the U.S. Energy Association, the Board became a founding stakeholder in the Carbon Sequestration Leadership Forum (CSLF) (24 nations) in 2003. These policy and technical meetings further international cooperation and understanding of carbon capture and storage, legal and regulatory issues, intellectual property, carbon dioxide (CO<sub>2</sub>) for enhanced oil recovery (EOR) and long-term CO<sub>2</sub> storage. On September 8, 2010, the CSLF recognized SSEB's SECARB Partnership as an international program of excellence (one of two projects to receive worldwide recognition).

SSEB is a founding member of the Global Carbon Capture and Storage Institute which was formed in 2009 to educate policy-makers and stakeholders on CCS issues. Other intercontinental activities include

cooperation with the International Energy Agency and the World Energy Council. Coordination with the National Energy Technology Laboratory and the United Arab Emirates led to a meeting to discuss the UAE's interests in using CO<sub>2</sub> for EOR. A follow up meeting with SSEB as host is under discussion.

SSEB works closely with EPA Region 4 on various initiatives. Most recently, SSEB staff became a member of the writing team to develop the technical background document for the Southeast chapter of the next (2013) edition of the U.S. Global Change Research Program's (USGCRP) National Climate Assessment (NCA). Specifically, there will be several chapters that touch on the issues of energy production and use in the Southeast (both electricity and other energy sources such as petroleum for mobile sources), greenhouse gas emissions and sinks in the Southeast, and activities to reduce greenhouse gas emissions in the Southeast (e.g., energy efficiency, renewable energy, carbon sequestration, etc.).

To foster regional cooperation and collaboration, the Board continues a strong working relationship with the Southern Governors' Association, the Southern Legislative Conference and the Southern Growth Policies Board.





*Right (L to R): Jennifer Bumgarner, NC Dept. of Commerce, and Rep. Chuck Martin, GA take in a presentation during the SSEB 50th Annual Meeting.*

*Left (L to R): Randy Eminger, ACCCE; Sen. Mark Norris, TN; and Rep. Tiffany Rogers, AR, at the 2011 Briefing to Southern Legislators.*



*Above: Gov. Haley Barbour, MS, delivers a Special Address to the Board Members during the SSEB 50th Annual Meeting.*

## EDUCATING STAKEHOLDERS

Southern States Energy Board takes seriously its mission of outreach and education through a variety of events, conferences, workshops, panel discussions, exhibits and keynote presentations. Over the past year SSEB presented at and participated in a wide range of activities ranging from community discussions of residential energy efficiency applications in DeKalb County, Georgia, to key energy conversations with the Council of State Governments and the Southern Legislative Conference. Examples of significant engagements from the past year include those listed below:

- Delta Regional Authority  
Key Role of Biomass in the Energy Future of the Southern States;
- University of Houston Energy and Environmental Law Series  
The Coal Dilemma: No Coal or Clean Coal;
- Biomass Trade and Power America Conference  
Key Role of Biomass in the South;
- Gasification Technology Council  
Congress, Administration and the States: Roiling Toward an Uncertain Future;
- West Virginia Carbon Capture and Storage Working Group  
CCS Technology and West Virginia Coal;
- University of the Virgin Islands

Energy Development on Island Nations Workshop;

- Georgia Environmental Conference  
Clean Energy Initiatives in the Southern States;
- Air and Waste Management Conference  
Electricity Issues in the U.S.: A SSEB Perspective; and
- Department of Energy Briefing for Secretary Chu  
Carbon Capture and Storage Management and SECARB.

SSEB actively works with public utility commissioners in the SSEB region, as well as nationally, through NARUC. Georgia Tech's Clean Energy Series is a monthly technical meeting of academia, engineers, entrepreneurs, public officials and during the year SSEB provided an update on carbon capture and storage and how it could impact permitting, greenhouse gas emissions reductions from power plants and regulatory decision-making in southern states. SSEB also cooperates with the utility commissioners in the Eastern Interconnection Planning Collaboration, working through a public stakeholder group to develop a robust process for studies of the electric transmission system in the East.

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Above (L to R): Mike McGarey, Nuclear Energy Institute; Randy Eminger, American Coalition for Clean Coal Electricity; Rep. Weldon Watson, OK; Dr. Gilbert Weigand, Oak Ridge National Laboratory; and Sherry Tucker, Denbury Resources, Inc., make comments to Board Members during the SSEB 50th Annual Meeting.

## THE BOARD THANKS ITS ASSOCIATE MEMBERS:

- Alpha Natural Resources
- American Coalition for Clean Coal Electricity
- American Electric Power
- America's Natural Gas Alliance
- American Chemistry Council
- AGL Resources
- Arch Coal, Incorporated
- Bell Bio-Energy, Incorporated
- Chevron Corporation
- Coal Utilization Research Council
- Dominion
- Duke Energy
- Eastern Coal Council
- Edison Electric Institute
- Entergy Services, Incorporated
- Kentucky Coal Academy
- Marshall Miller & Associates, Incorporated
- McGuireWoods Consulting, LLC
- National Coal Council
- National Mining Association
- Nuclear Energy Institute
- Peabody Energy
- Progress Energy
- Real Energy Strategies, LLC

- Santee Cooper
- SCANA Corporation
- Shell Oil Company
- Southern Company
- Sterling Planet, Incorporated
- TECO Services, Incorporated
- Tennessee Valley Authority
- WVU Research Corporation

## SOURCES OF SUPPORT

The Southern States Energy Board's core funding comes from annual appropriations from the 18 member states and territories. Each member's share is computed by a formula written into the original Compact. This formula is comprised of three parts; one half is an equal share, one quarter is based on per capita income and one quarter is based on population. The Board has not requested an increase in annual appropriations in more than 20 years. The Compact authorizes the Board to accept funds from any state, federal agency, interstate agency, institution, person, firm or corporation provided those funds are used for the Board's purposes and functions. This year, additional support was received for research projects from grants and cooperative agreements from the U.S. Department of Energy, the U.S. Nuclear Regulatory Commission and the American Recovery & Reinvestment Act of 2009 (ARRA).



Left: Governor Earl Ray Tomblin, WV at the SSEB 50th Annual Meeting.



Right: Sen. Robert Adley, LA, addresses Legislators on "Future of Natural Gas in the United States."



Above: Kelly Mader, Peabody Energy and John Snider, Arch Coal, Inc. facilitate discussions during the SSEB 50th Annual Meeting.

Additionally, the SSEB Carbon Management Program/Southeast Regional Carbon Sequestration Partnership's Industry Associates provide an annual monetary contribution to support the SECARB Program. Allocation of these contributions is at the discretion of the Southern States Energy Board to support the carbon management initiatives and programs. Industry Associates receive updates on current activities and progress made on SECARB projects, as well as participation in an annual stakeholder meeting held in Atlanta, Georgia. For a current list of industry associates, as well as all team members, please visit [www.secarbon.org](http://www.secarbon.org).

In addition, SSEB continues to lead an Associate Members program comprised of industry partners who provide an annual contribution to the Board. Membership includes organizations from the non-governmental sector, corporations, trade associations and public advocacy groups. The Associate Members program provides an opportunity for public officials and industry representatives to exchange ideas, define objectives and advance energy and environmental planning to improve and enhance the South's economic and environmental well-being.

## STATE APPROPRIATION

Alabama	\$32,572
Arkansas	\$31,027
Florida	\$47,212
Georgia	\$35,782
Kentucky	\$32,197
Louisiana	\$33,817
Maryland	\$37,192
Mississippi	\$29,077
Missouri	\$36,247
North Carolina	\$37,042
Oklahoma	\$32,512
Puerto Rico	\$25,597
South Carolina	\$31,372
Tennessee	\$34,267
Texas	\$55,402
U.S. Virgin Islands	\$25,297
Virginia	\$38,362
West Virginia	\$28,732



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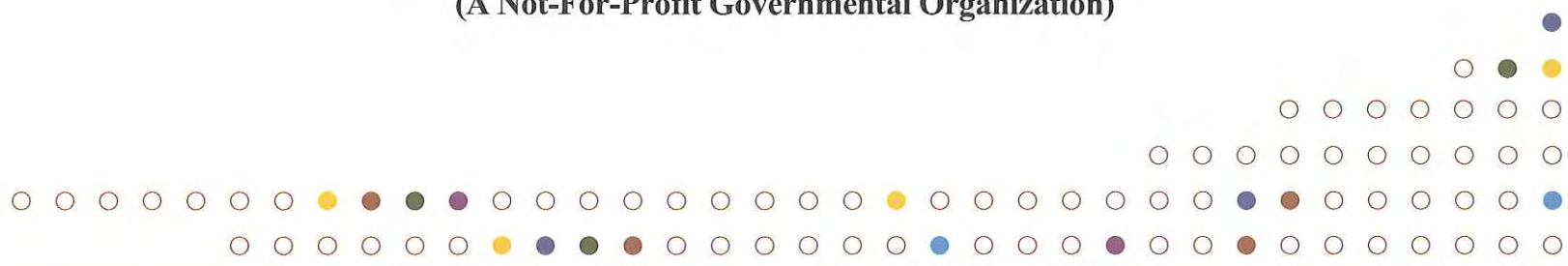
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**Southern States Energy Board**  
(A Not-For-Profit Governmental Organization)



**Financial Statements and  
Compliance Reports**

**June 30, 2010 and 2009**



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# **Southern States Energy Board**

## **(A Not-for-Profit Governmental Organization)**

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## **Independent Auditors' Report**

To the Members of  
Southern States Energy Board

We have audited the accompanying statements of financial position of Southern States Energy Board (the Board) (a not-for-profit governmental organization) as of June 30, 2010 and 2009 and the related statements of activities and changes in net assets and cash flows for the years then ended, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern States Energy Board as of June 30, 2010 and 2009 and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2010 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis information on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming opinions on the basic financial statements of the Board taken as a whole. The accompanying schedule of expenses, adjustments and claimed costs and schedule of expenditures of federal awards for the year ended June 30, 2010 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, or as requested by management, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bennett Thrasher P.C.*

October 12, 2010

# **Southern States Energy Board**

## **(A Not-for-Profit Governmental Organization)**

### **Management's Discussion and Analysis**

#### **For the Years Ended June 30, 2010 and 2009 - Unaudited**

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Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic financial statements and supplemental information. The MD&A represents management's examination and analysis of Southern States Energy Board's (the Board) financial condition at June 30, 2010 and 2009 and of its performance for the years then ended.

### **Overview of the Basic Financial Statements**

#### ***Using the Basic Financial Statements and Supplemental Information***

The basic financial statements report information about the Board as a whole, or as an entire operating entity, using the accrual basis of accounting as utilized by most businesses in the private sector. As a governmental organization the Board follows the accounting permitted in standards issued by the Governmental Accounting Standards Board (GASB), which allows governmental not-for-profit entities that have applied the accounting and financial reporting principles in standards issued by the Financial Accounting Standards Board (FASB) to continue to do so, pending GASB pronouncements on the accounting and financial reporting model for government entities. These basic financial statements consist of statements of financial position, statements of activities and changes in net assets, statements of cash flows and notes to financial statements. Supplemental information is also provided.

#### ***Statements of Financial Position***

The statements of financial position present the financial position of the Board with information on all of the Board's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets are one indicator of whether the financial position of the Board is improving or deteriorating.

#### ***Statements of Activities and Changes in Net Assets***

The statements of activities and changes in net assets present the results of the Board's operating activities over the course of the fiscal year and information as to how the net assets changed during the year. These statements show support received by the Board in the form of contracts or grants from governmental agencies, revenue from member states for research, technical staff support, policy and program development, membership dues and special project revenue. These statements show how support and revenue received by the Board were applied to various program and supporting expenses.

#### ***Statements of Cash Flows***

The statements of cash flows present the changes in cash and cash equivalents, resulting from operating, financing and investing activities. These statements present cash receipts and cash disbursements information without consideration of the earnings event, the date or period in which an obligation arises or the depreciation of capital assets.



## ***Notes to Financial Statements***

The notes to financial statements provide required disclosures and other information that are essential to a full understanding of the material data provided in the financial statements. The notes present information about the Board's organization and its accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

## ***Supplemental Information***

Supplemental information detailing Board expenses claimed from member states and expenditures of Federal awards is also provided.

## **Summary of Organization and Business**

The Board's organization is described in Note 1 to the financial statements.

## **Financial Analysis**

The following comparative condensed financial statements, reported for the Board as a whole, serve as key financial data for management, monitoring and planning.

## ***Condensed Statements of Financial Position***

	<b>2010</b>	<b>2009</b>
<b>Assets:</b>		
Current assets	\$ 4,308,840	\$ 3,420,003
Capital assets	<u>312,731</u>	<u>320,046</u>
Total assets	<u>\$ 4,621,571</u>	<u>\$ 3,740,049</u>
<b>Liabilities:</b>		
Current liabilities	<u>\$ 4,141,932</u>	<u>\$ 3,260,868</u>
Total liabilities	<u>\$ 4,141,932</u>	<u>\$ 3,260,868</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	\$ 312,731	\$ 320,046
Unrestricted	<u>166,908</u>	<u>159,135</u>
Total net assets	<u>\$ 479,639</u>	<u>\$ 479,181</u>

Total assets increased by \$881,522. This increase is primarily due to an increase in accounts receivable of approximately \$1,114,000 over the previous fiscal year related to the timing of progress billings and a decrease in cash of approximately \$229,000, related to a decrease in membership as well as a couple of state and territory appropriations outstanding at year-end.

Total liabilities increased by \$881,064. This increase in liabilities is primarily related to an increase in accounts payable related to the timing of receipt of several subrecipient invoices at the end of this fiscal year compared to the previous fiscal year, and is in line with the increase in accounts receivable.

Net assets increased by \$458 and is analyzed below in the condensed statements of activities and changes in net assets.

***Condensed Statements of Activities and Changes in Net Assets***

	<b>2010</b>	<b>2009</b>
<b>Support and revenue:</b>		
Support from member states	\$ 623,706	\$ 623,706
Grants and contracts	4,545,436	5,330,355
State subgrants on behalf of member states	10,901,787	11,546,546
Associate membership dues	75,000	96,000
Southeast Regional Carbon Sequestration membership dues	121,000	114,500
Special projects	<u>15,778</u>	<u>7,369</u>
Total support and revenue	<u>16,282,707</u>	<u>17,718,476</u>
<b>Expenses:</b>		
Grants, cooperative agreements and other projects	3,728,249	4,684,370
Subgrants to member states	10,901,787	11,546,546
State services and other programs	257,982	278,069
Operating expenses and indirect costs	<u>1,394,231</u>	<u>1,174,898</u>
Total expenses	<u>16,282,249</u>	<u>17,683,883</u>
Increase in net assets	<u>\$ 458</u>	<u>\$ 34,593</u>

During fiscal 2010, the expenditures of Federal awards on direct and pass-through programs were \$15,336,937, as detailed in the supplemental schedule of expenditures of Federal awards.

Overall, support and revenue and expenses related to grants, cooperative agreements and other projects decreased from the prior year as a result of Phase II of the Southeast Regional Carbon Sequestration project winding down.

**Financial Condition**

The Board's financial condition increased from fiscal 2009, and remains positive at year-end with a continuing adequate level of net current assets and net assets. Management believes the current financial condition, technical support staff capabilities and operating plans are well balanced.

## **Capital Assets and Debt Administration**

At the end of fiscal 2010, the Board had \$312,731 invested in capital assets, as detailed in Note 4 to the financial statements. The Board purchased property and equipment totaling \$10,698 during fiscal 2010.

The Board also has a line of credit in the amount of \$100,000 available through a financial institution. There were no borrowings under the line of credit agreement during fiscal 2010.

## **Budgetary Highlights**

Actual revenues for fiscal 2010 were not substantially different from the Board's budgeted revenues as reported in the Board's original 2010 budget. Actual expenses were also not substantially different from budgeted expenses per the original 2010 budget.

The executive committee of the Board at the behest of Joe Manchin, III, the Governor of West Virginia and Chairman of the Board decided to host a celebration to commemorate the 50<sup>th</sup> Anniversary of the Board. This meeting is to be held in September 2010 at the Greenbrier Resort in White Sulphur Springs, West Virginia. Due mainly to sponsorships supporting the upcoming celebration, deferred revenue is approximately \$66,000 higher at June 30, 2010 compared to June 30, 2009.



**Southern States Energy Board**  
**(A Not-For-Profit Governmental Organization)**

**Statements of Financial Position**  
**June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 217,219	\$ 446,143
Accounts receivable, less allowance for doubtful accounts of \$55,297 in 2010 and \$30,000 in 2009	4,088,027	2,973,860
Prepaid expenses	<u>3,594</u>	<u>-</u>
Total current assets	4,308,840	3,420,003
Property and equipment, net	<u>312,731</u>	<u>320,046</u>
Total assets	<u><u>\$ 4,621,571</u></u>	<u><u>\$ 3,740,049</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 3,681,424	\$ 2,879,901
Accrued expenses	141,002	147,916
Accrued pension contribution	128,088	108,051
Deferred revenue	<u>191,418</u>	<u>125,000</u>
Total current liabilities	4,141,932	3,260,868
Net assets	<u>479,639</u>	<u>479,181</u>
Total liabilities and net assets	<u><u>\$ 4,621,571</u></u>	<u><u>\$ 3,740,049</u></u>

*See accompanying notes to financial statements.*

**Southern States Energy Board**  
**(A Not-For-Profit Governmental Organization)**

**Statements of Activities and Changes in Net Assets**  
**For the Years Ended June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
Support and revenue:		
Support from member states	\$ 623,706	\$ 623,706
Grants and contracts	4,545,436	5,330,355
State subgrants on behalf of member states	10,901,787	11,546,546
Associate membership dues	75,000	96,000
Southeast Regional Carbon Sequestration membership dues	121,000	114,500
Special projects	<u>15,778</u>	<u>7,369</u>
Total support and revenue	<u>16,282,707</u>	<u>17,718,476</u>
Expenses:		
Grants, cooperative agreements and other projects	3,728,249	4,684,370
Subgrants to member states	10,901,787	11,546,546
State services and other programs	257,982	278,069
Operating expenses and indirect costs	<u>1,394,231</u>	<u>1,174,898</u>
Total expenses	<u>16,282,249</u>	<u>17,683,883</u>
Excess of support and revenue over expenses	458	34,593
Net assets at beginning of year	<u>479,181</u>	<u>444,588</u>
Net assets at end of year	<u>\$ 479,639</u>	<u>\$ 479,181</u>

*See accompanying notes to financial statements.*

**Southern States Energy Board**  
**(A Not-For-Profit Governmental Organization)**

**Statements of Cash Flows**  
**For the Years Ended June 30, 2010 and 2009**

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	<b>2010</b>	<b>2009</b>
Cash flows from operating activities:		
Excess of support and revenue over expenses	\$ 458	\$ 34,593
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by (used in) operating activities:		
Depreciation	18,013	19,576
Provision for bad debts	25,297	-
Changes in assets and liabilities:		
Accounts receivable	(1,139,464)	(1,406,052)
Prepaid expenses	(3,594)	-
Accounts payable	801,523	1,475,920
Accrued expenses	(6,914)	29,237
Accrued pension contribution	20,037	1,483
Deferred revenue	<u>66,418</u>	<u>106,000</u>
Net cash provided by (used in) operating activities	<u>(218,226)</u>	<u>260,757</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(10,698)</u>	<u>(18,275)</u>
Net cash used in investing activities	<u>(10,698)</u>	<u>(18,275)</u>
Net increase (decrease) in cash and cash equivalents	(228,924)	242,482
Cash and cash equivalents at beginning of year	<u>446,143</u>	<u>203,661</u>
Cash and cash equivalents at end of year	<u><u>\$ 217,219</u></u>	<u><u>\$ 446,143</u></u>

*See accompanying notes to financial statements.*



# **Southern States Energy Board**

## **(A Not-for-Profit Governmental Organization)**

### **Notes to Financial Statements**

#### **June 30, 2010 and 2009**

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#### **Note 1: Description of Organization and Summary of Significant Accounting Policies**

##### **Description of Organization**

Southern States Energy Board (the Board) is a not-for-profit organization serving as the regional representative of sixteen southern states and the U.S. territories of Puerto Rico and the Virgin Islands in energy and environmental matters. The Board provides research, technical staff support, policy and program development and implementation and information services encompassing all areas of energy and environmental quality.

Each member state is represented on the Board by its governor and a legislator from both the state House and Senate. Puerto Rico is represented by its governor and a legislator from its House and Senate. The Virgin Islands is represented by its governor and a legislator from its House. A Federal representative is appointed by the President of the United States of America.

The Board's support is apportioned among its members according to a formula specified in the compact legislation. The formula is based on each state or commonwealth's population, per capita income and an equal contribution share. Additional support for special projects is obtained from grants and cooperative agreements from the government and the private sector. Dues from an associate member program of corporate and other affiliations of the Board and SSEB Carbon Management Partnership/SECARB Industry Associates also provide support for the Board's projects.

Contracts from governmental agencies are generally based on total cost; other contracts are generally fixed fee contracts, on which the Board must absorb all costs incurred in excess of the contract amount. Contracts or grants from governmental agencies are subject to final government approval of total job cost, including allocated overhead.

##### **Use of Estimates in Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **Basis of Accounting**

The Board uses the accrual method of accounting. Under this method, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

The Board is a governmental organization as defined by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB); the Board is considered to be an instrumentality of the states and territories whereby the appointment (or approval) of a controlling majority of members of the governing board is made by officials of one or more state or local governments. As a governmental organization, the Board follows the accounting for not-for-profit entities as permitted by GASB.

## **Cash and Cash Equivalents**

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts (Note 2). The Board believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

## **Property and Equipment**

Purchases of property and equipment are recorded at cost net of accumulated depreciation. Property and equipment are depreciated using the straight-line method. The estimated useful lives of the assets are as follows: building and improvements, thirty one and one-half years; computer equipment, five years; and furniture and fixtures and office equipment, five to seven years.

## **Impairment**

Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Board evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no property and equipment was impaired as of June 30, 2010 or 2009.

## **Recognition of Revenue and Expenses**

Member states' support dues are generally invoiced at the end of each fiscal year and are recognized as revenue in that fiscal year.

Associate membership dues are recognized over the period to which the dues relate.

The Board receives pass-through subrecipient funding for various states under grants and cooperative agreements provided by the Federal government. Revenue and the related expense amounts are recognized upon the filing of reimbursement requests by the respective states and U.S. territories upon completion of the review process by the Board's personnel. Amounts due from the Federal government at June 30, 2010 and 2009 are described in Note 3. Amounts due to the states and U.S. territories associated with recognized revenues and expenses are reflected in accounts payable; such amounts totaled \$3,051,746 at June 30, 2010 and \$2,249,099 at June 30, 2009.

Revenue from non pass-through grants and cooperative agreements is recognized as the services are performed.

Special projects revenue is recognized in the year the expense is incurred.

All identifiable expenses relating to the performance of a contract are charged directly to the specific contracts. All other costs and expenses incurred are allocated to each contract based on a provisional overhead rate per direct labor dollar. Such overhead costs are included in expenses by program category in the accompanying statements of activities and changes in net assets.

## **Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Operating expenses and indirect costs are allocated among the programs and supporting services benefited based on guidelines promulgated by the United States Department of Energy (DOE) and other government agencies and pass-through entities providing support to the Board.

## **Recently Issued Accounting Standards**

In June 2009, the FASB issued Accounting Standards Codification (ASC), which established FASB ASC as the sole source of authoritative Generally Accepted Accounting Principles (GAAP). Pursuant to the provisions of FASB ASC, the Board updated references to GAAP in its financial statements for the periods ended June 30, 2010 and 2009. The adoption of FASB ASC did not impact the Board's financial position or results of operations.

Effective July 1, 2009, the Board adopted a new accounting standard for subsequent events. The update modifies the names of the two types of subsequent events either as recognized subsequent events (previously referred to in practice as Type I subsequent events) or non-recognized subsequent events (previously referred to in practice as Type II subsequent events). In addition, the standard modifies the definition of subsequent events to refer to events or transactions that occur after the balance sheet date, but before the financial statements are available to be issued (for nonpublic entities). It also requires the disclosure of the date through which subsequent events have been evaluated. The update did not result in significant changes in the practice of subsequent event disclosures, and therefore the adoption did not have a material impact on the Board's financial statements.

The Board has evaluated for subsequent events between the balance sheet date of June 30, 2010 and October 12, 2010, the date the financial statements were issued, and has concluded that there were no recognized subsequent events or unrecognized subsequent events requiring disclosure.

## **Income Taxes**

The Board qualifies as a tax-exempt organization under Section 501(c)(1) of the Internal Revenue Code. In the opinion of management, the Board had no significant unrelated business taxable income during fiscal 2010 or 2009. Accordingly, no provision or benefit for income taxes has been made in the accompanying financial statements.

The Board adopted the provisions of FASB ASC, *Income Taxes*. This ASC requires that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of this ASC had no impact on the Board's statements of financial position or statements of activities and changes in net assets. The Board does not believe its financial statements include any material uncertain tax positions.



## Note 2: Cash Deposits

Bank balances of the Board's cash deposits are categorized to give an indication of the level of risk assumed by the Board at June 30 as follows:

- Category 1 - Insured or collateralized with securities held by the Board or by its agent in the Board's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.
- Category 3 - Uncollateralized.

	2010	2009
Category 1	\$ 197,446	\$ 258,929
Category 2	-	-
Category 3	-	240,610
Total cash deposits	<u>\$ 197,446</u>	<u>\$ 499,539</u>

Cash and cash equivalents in the accompanying statements of financial position reflects the reconciled bank balances for all cash accounts as of June 30, 2010 and 2009.

## Note 3: Accounts Receivable

Accounts receivable at June 30 are summarized as follows:

	2010	2009
Federal grants and contracts	\$ 4,066,297	\$ 2,904,316
State appropriations receivable	50,894	94,011
Other receivables	<u>26,133</u>	<u>5,533</u>
	4,143,324	3,003,860
Less allowance for doubtful accounts	<u>55,297</u>	<u>30,000</u>
	<u>\$ 4,088,027</u>	<u>\$ 2,973,860</u>

#### **Note 4: Property and Equipment**

Property and equipment at June 30 are summarized as follows:

	<b>2010</b>	<b>2009</b>
Land	\$ 61,500	\$ 61,500
Building and improvements	377,030	367,717
Computer equipment	103,908	103,908
Furniture and fixtures	264,031	263,531
Office equipment	<u>25,996</u>	<u>25,111</u>
	832,465	821,767
Less accumulated depreciation	<u>519,734</u>	<u>501,721</u>
	<u>\$ 312,731</u>	<u>\$ 320,046</u>

Depreciation expense totaled \$18,013 in fiscal 2010 and \$19,576 in fiscal 2009.

#### **Note 5: Debt**

##### **Line of Credit**

The Board has a \$100,000 operating line of credit agreement with a financial institution. Borrowings under the line of credit are secured by substantially all assets of the Board and carry interest at the financial institution's prime rate (3.25% at June 30, 2010). There were no outstanding borrowings under the agreement at June 30, 2010 or 2009. The agreement expires on November 30, 2010, at which time the Board may renew the line of credit agreement.

The Board is required to adhere to certain financial and nonfinancial covenants under the line of credit agreement.

#### **Note 6: Pension Plan**

The Board provides a defined contribution pension plan which covers eligible employees and is administered by the Board's management. The plan provides for an annual contribution by the Board equal to 10% of each participant's annual compensation. The total required contribution to the plan was \$128,088 in fiscal 2010 and \$108,051 in fiscal 2009; such amounts are reflected as accrued pension contribution in the accompanying statements of financial position.

## Note 7: Commitments and Contingencies

The Board leases certain equipment under noncancelable agreements accounted for as operating leases. The following is a schedule by year of future minimum rental payments under operating leases as of June 30, 2010:

2011	\$ 18,464
2012	15,107
2013	14,899
2014	<u>13,860</u>
	<u>\$ 62,330</u>

Rental expense under all operating leases totaled \$34,334 in fiscal 2010 and \$33,313 in fiscal 2009.

## Grants Payable

The Board has entered into conditional subrecipient contracts with member states and other contractors to achieve certain contract and federal awards program objectives. At June 30, 2010, these subrecipient commitments totaled \$11,679,412, of which \$10,031,588 was committed to member states. At June 30, 2009, these subrecipient commitments totaled approximately \$17,106,619, of which \$13,512,525 was committed to member states.

Such contracts are ultimately subject to the availability of funding from certain Federal agencies (Note 1), and the periods covered by some of these contracts extend beyond the Board's current fiscal year end. Accordingly, these commitments have not been reflected in the accompanying financial statements given their conditional status.

## Government Grants

In the ordinary course of business, the Board's contracts from governmental agencies are audited by the DOE or other awarding agencies. Such audits could result in claims against the resources of the Board. No provision has been made for any liabilities which may arise from such audits since the amounts, if any, cannot be determined as of June 30, 2010 and 2009.

## Note 8: Concentrations

During fiscal 2010 and 2009, approximately 94% of revenue was derived from grants or contracts with the DOE.

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## **Supplemental Information**

**Southern States Energy Board**  
**(A Not-For-Profit Governmental Organization)**

**Schedule of Expenses, Adjustments and Claimed Costs**  
**For the Year Ended June 30, 2010**

Accounts	Expenses per General Ledger	Adjustments	Claimed Cost
Salaries and wages	\$ 632,087	\$ -	\$ 632,087
Technical/project staff costs	80,858	-	80,858
Temporary staff services	208	-	208
Georgia unemployment wages	8,580	-	8,580
Financial/legal costs	77,620	-	77,620
FICA	80,802	-	80,802
Group insurance	137,404	-	137,404
Pension plan	128,088	-	128,088
Travel	18,592	-	18,592
Conference costs	27,098	-	27,098
Printing service	9,477	-	9,477
Postage and delivery	2,833	-	2,833
Telephone	12,821	-	12,821
Other project expenses	5,243	-	5,243
Insurance	14,086	-	14,086
Computer services	16,383	-	16,383
Equipment rental	9,295	-	9,295
Computer software	5,344	-	5,344
Office supplies	9,131	-	9,131
Publications and subscriptions	12,390	-	12,390
Printing equipment and supplies	25,039	-	25,039
Property tax	118	-	118
Utilities	11,284	-	11,284
Maintenance and repairs	12,789	-	12,789
Miscellaneous	11,638	-	11,638
Interest (1)	936	(936)	-
Penalties expense (1)	777	(777)	-
Bad debt expense (1)	25,297	(25,297)	-
Depreciation	18,013	-	18,013
	<u>\$ 1,394,231</u>	<u>\$ (27,010)</u>	<u>\$ 1,367,221</u>
Overhead base, direct labor			<u>\$ 680,771</u>
Overhead pool			<u>\$ 1,367,221</u>
Overhead rate			<u>2.01</u>

Notes:

(1) Expense unallowable as per OMB Circular A-122

*See independent auditors' report and accompanying notes to financial statements.*

**Southern States Energy Board**  
**(A Not-for-Profit Governmental Organization)**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

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<b>Federal Grantor/Pass-through Grantor</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Energy:</b>		
Direct Programs:		
Fossil Energy Research and Development	81.089	\$ 13,373,335
Transport of Transuranic Waste to the Waste Isolation Pilot Plant	81.106	1,883,026
ARRA - Geologic Sequestration Training and Research	81.133	<u>80,576</u>
Total direct programs		<u>15,336,937</u>
<i>Total Expenditures of Federal Awards</i>		<u><u>\$ 15,336,937</u></u>

*See independent auditors' report and accompanying notes to financial statements.*

**Southern States Energy Board**  
**(A Not-for-Profit Governmental Organization)**

**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

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**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southern States Energy Board and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B: Subrecipients**

The Board provided federal awards to member state subrecipients as follows:

<b>Program Title</b>	<b>Federal CFDA Number Provided</b>	<b>Amount</b>
Fossil Energy Research and Development	81.089	\$ 9,349,025
Transport of Transuranic Waste to the Waste Isolation Pilot Plant	81.106	<u>1,552,762</u>
		<u>\$ 10,901,787</u>

**Note C: Cost sharing**

During fiscal 2010, the Board incurred cost sharing expenses totaling \$116,692 related to the Department of Energy contracts.

*See independent auditors' report and accompanying notes to financial statements.*



**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Members of  
Southern States Energy Board

We have audited the financial statements of Southern States Energy Board (the Board) (a not-for-profit governmental organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Members, management, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bennett Thrasher P.C.*

October 12, 2010

**Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Members of  
Southern States Energy Board

**Compliance**

We have audited Southern States Energy Board's (the Board) (a not-for-profit governmental organization) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2010. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### **Internal Control Over Compliance**

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Members, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bennett Thrasher P.C.*

October 12, 2010



**Southern States Energy Board**  
**(A Not-for-Profit Governmental Organization)**

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2010**

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**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No.

Significant deficiencies identified? None reported.

Noncompliance material to financial statements noted? No.

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? No.

Significant deficiencies identified? None reported.

Type of auditors’ report issued on compliance for major programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? No.

Major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
81.089	Fossil Energy Research and Development

Dollar threshold used to distinguish between type A and type B programs: \$460,109.

Auditee qualified as low-risk auditee? Yes.

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**Southern States Energy Board**  
**(A Not-for-Profit Governmental Organization)**

**Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2010**

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Findings:       None

Questioned costs:       None

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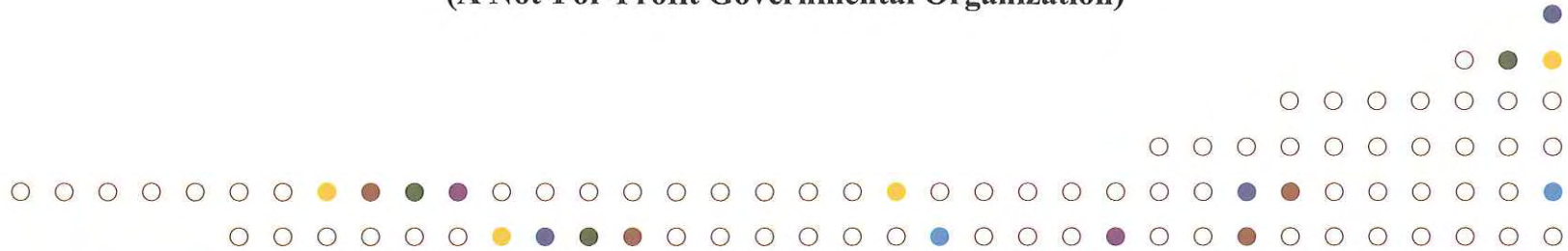
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One Overton Park  
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**Southern States Energy Board**  
(A Not-For-Profit Governmental Organization)



**Required Communications**

**June 30, 2010**





# Southern States Energy Board

## Required Communications

June 30, 2010

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**To the Members of  
Southern States Energy Board**

In connection with our audit of the financial statements of Southern States Energy Board (the Board) as of and for the year ended June 30, 2010, we are summarizing certain communications required by our professional standards. Our auditors' report was dated October 12, 2010 and we have not performed any audit procedures subsequent to that date. Therefore, these communications do not reflect any changes or events that may have occurred subsequent to the date of our auditors' report.

This report is intended solely for the information and use of the Members, management and others within the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Bennett Thresher P.C.*

October 12, 2010

# Southern States Energy Board

## Required Communications

June 30, 2010

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Our professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated July 29, 2010, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We are responsible for performing the audit in accordance with generally accepted auditing standards and that the audit is designed to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud or other illegal acts may exist and not be detected by us. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

We are responsible for communicating significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Generally accepted auditing standards do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

As part of our audit, we considered the internal control of the Board. Such considerations were solely for the purpose of determining and designing our audit procedures and not for the purposes of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on the Board's major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with U.S. Office of Management Budget (OMB) Circular A-133 (OMB Circular A-133).

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* applicable to its major Federal program for the purpose of expressing an opinion on the Boards' compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Board's compliance with those requirements.

## **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Board are described in Note 1 to the financial statements, which we believe are appropriate. We noted no transactions entered into by the Board during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you; nor did we note any transactions for which there is a lack of authoritative guidance or consensus.

Appendix A summarizes recent developments in accounting and auditing.

## **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation expense and the determination of the allowance for doubtful accounts reflecting management's assessment of collectability of outstanding accounts receivable.

Management's estimate of the depreciation expense was based on the estimated useful lives of property and equipment. Management's estimate of the allowance for doubtful accounts was based on an analysis of the aging and history of the Board's accounts receivable balance. We evaluated the key factors and assumptions used to develop the depreciation expense estimate and the allowance for doubtful accounts estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

## **Significant Audit Adjustments**

For purposes of this report, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Board that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no significant audit adjustments.

## **Significant Issues Discussed with Management**

We had no significant issues discussed with management during the course of our audit.

## **Disagreements with Management**

For purposes of this report, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.



## **Representation Requested from Management**

Our professional standards require that a management representation letter be obtained from management at the conclusion of our audit and is kept as part of our working papers. The management representation letter states certain matters that we request be acknowledged by management in writing. Appendix B includes a copy of the management representation letter dated October 12, 2010, received from management.

## **Auditor Independence**

Our professional standards require that we are independent from audit clients in order to maintain objectivity and integrity, and we confirm that there are no known matters of which we are aware that would call into question our independence from the Board.

## **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Board’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants and we were not contacted by other accountants.

## **Issues Discussed Prior to Retention as Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the Board’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit. We appreciate the high level of support and responsiveness management provided as we completed our engagement.

\* \* \* \* \*

## Summary of Recent Developments in Accounting and Auditing June 30, 2010

---

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC), which established FASB ASC as the sole source of authoritative generally accepted accounting principles (GAAP). Pursuant to the provisions of FASB ASC, the Board updated references to GAAP in its financial statements for the periods ended June 30, 2010 and 2009. The adoption of FASB ASC did not impact the Board's financial position or results of operations.

Effective July 1, 2009, the Board adopted a new accounting standard for subsequent events. The update modifies the names of the two types of subsequent events either as recognized subsequent events (previously referred to in practice as Type I subsequent events) or non-recognized subsequent events (previously referred to in practice as Type II subsequent events). In addition, the standard modifies the definition of subsequent events to refer to events or transactions that occur after the date of the statement of financial position, but before the financial statements are available to be issued (for nonpublic entities). It also requires the disclosure of the date through which subsequent events have been evaluated. The update did not result in significant changes in the practice of subsequent event disclosures, and therefore the adoption did not have a material impact on the Board's financial statements.

Effective July 1, 2010, the Board adopted the provisions of FASB ASC, *Income Taxes*. This ASC requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of this ASC had no impact on the Board's statements of financial position or statements of operations. The Board does not believe its financial statements include any material uncertain tax positions.



October 12, 2010

Bennett Thrasher PC  
One Overton Park  
3625 Cumberland Boulevard  
Suite 1000  
Atlanta, Georgia 30339

We are providing this letter in connection with your audits of the statements of financial position of Southern States Energy Board (the Board) as of June 30, 2010 and 2009 and the related statements of activities and changes in net assets, and cash flows for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets and cash flows of the Board in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets and cash flows in conformity with GAAP. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with GAAP and include all assets and liabilities under the Board's control.
2. We have made available to you all:
  - a. Financial records and related data.
  - b. Minutes of the meetings of directors, trustees and committees of directors or trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared (all significant board and committee actions are included in such summaries). The following represents a complete list of all such minutes.

August 24, 2009, Southern States Energy Board 49<sup>th</sup> Annual Meeting  
October 13, 2009, Southern States Energy Board Executive Committee Meeting Minutes

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no material transactions that have not been properly recorded in the accounting records underlying the aforementioned financial statements or the schedule of expenditures of federal awards.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Board involving:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Board received in communications from employees, former employees, regulators or others.
8. The Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities or net asset balances.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Board is contingently liable.
10. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

There are no such estimates that may be subject to material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements.
11. We are responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of the financial statement amounts.
12. Southern States Energy Board is an exempt Board under Section 501(c)(1) of the Internal Revenue Code. There are no activities of which we are aware that would jeopardize the Board's tax-exempt status, and there are no activities subject to tax on unrelated business income or excise or other tax. All required filings with tax authorities are up-to-date.



13. There are no:

- a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Accounting Standards Codification (ASC) 450, *Accounting for Contingencies*.
- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450.
- d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.

14. The Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.

15. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

16. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.

17. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

18. Provisions for uncollectible receivables have been properly identified and recorded.

19. With respect to federal award programs:

- a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Boards*.
- b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidiaries, insurance, food commodities, direct appropriations, and other assistance.

- c. We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations and the provisions of contract and grant agreements that could have a material effect on federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly alter internal control.
- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program.
- f. We have received no requests from a federal agency to audit one or more specific program as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the OMB Circular A-133, *Compliance Supplement*, relating to federal awards.
- h. There are no questioned amounts or any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews, other than what is disclosed in the financial statement and compliance report.
- i. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB A-122, *Cost Principles for Nonprofit Organizations*, and Subpart C, "Cost Sharing and Matching," of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*.
- j. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- k. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l. Federal program financial reports and claims for advances and reimbursements are supported on the books and records from which the basic financial statements have been prepared and are prepared on a basis consistent with the schedule of expenditures of federal awards.

- m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency of pass-through entity, as applicable.
  - n. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulation and have met the requirements of OMB Circular A-133.
  - o. We have charged costs to federal awards in accordance with applicable cost principles.
  - p. We have taken appropriate action on a timely basis after receipt of subrecipients' auditor reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreement to ensure that subrecipients have taken the appropriate and timely corrective action on the findings.
  - q. We have considered the results of subrecipient audits in making any necessary adjustments to our books and records.
  - r. We are responsible for and will accurately prepare the auditee section of the Data Collection Form as required by OMB Circular A-133 and we are responsible for preparing and implementing a corrective action plan for each audit finding.
  - s. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from service organizations relating to noncompliance at service organizations.
20. We have not been involved in any litigation and have only incurred legal expenses relating to retainer fees.
21. The Board may review the \$100,000 line of credit agreement at the expiration date in November 2010.
22. The Board has subrecipient contracts with member states and other contractors to achieve the contract and federal award program objectives. At June 30, 2010, these subrecipient commitments totaled \$11,679,412 of which \$10,031,588 was committed to member states. At June 30, 2009, these subrecipient commitments totaled \$17,106,619 of which \$13,512,525 was committed to member states.
23. We believe that all material expenditures that have been deferred to future periods will be recoverable.
24. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

25. The Board's contribution to the defined contribution pension plan was \$111,488 for the year ending June 30, 2010 and \$108,051 for the year ending June 30, 2009.

Yours very truly,



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Kenneth J. Nemeth, Executive Director

October 12, 2010



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Kathy A. Sammons, Director, Business Operations

October 12, 2010



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2. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your (or any other) Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.
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Fax: 770-390-0394

**Southern States Energy Board**  
**(A Not-For-Profit Governmental Organization)**

**Financial Statements and  
Compliance Reports**

**June 30, 2011 and 2010**



# **Southern States Energy Board**

## **(A Not-for-Profit Governmental Organization)**

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## Independent Auditors' Report

To the Members of  
Southern States Energy Board

We have audited the accompanying statements of financial position of Southern States Energy Board (the Board) (a not-for-profit governmental organization) as of June 30, 2011 and 2010 and the related statements of activities and changes in net assets and cash flows for the years then ended, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern States Energy Board as of June 30, 2011 and 2010 and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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The management's discussion and analysis information on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming opinions on the basic financial statements of the Board taken as a whole. The accompanying schedule of expenses, adjustments and claimed costs and schedule of expenditures of federal awards for the year ended June 30, 2011 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, or as requested by management, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bennett Thrasher P.C.*

October 3, 2011

# **Southern States Energy Board**

## **(A Not-for-Profit Governmental Organization)**

### **Management's Discussion and Analysis**

#### **For the Years Ended June 30, 2011 and 2010 - Unaudited**

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Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic financial statements and supplemental information. The MD&A represents management's examination and analysis of Southern States Energy Board's (the Board) financial condition at June 30, 2011 and 2010 and of its performance for the years then ended.

### **Overview of the Basic Financial Statements**

#### ***Using the Basic Financial Statements and Supplemental Information***

The basic financial statements report information about the Board as a whole, or as an entire operating entity, using the accrual basis of accounting as utilized by most businesses in the private sector. As a governmental organization the Board follows the accounting permitted in standards issued by the Governmental Accounting Standards Board (GASB), which allows governmental not-for-profit entities that have applied the accounting and financial reporting principles in standards issued by the Financial Accounting Standards Board (FASB) to continue to do so, pending GASB pronouncements on the accounting and financial reporting model for government entities. These basic financial statements consist of statements of financial position, statements of activities and changes in net assets, statements of cash flows and notes to financial statements. Supplemental information is also provided.

#### ***Statements of Financial Position***

The statements of financial position present the financial position of the Board with information on all of the Board's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets are one indicator of whether the financial position of the Board is improving or deteriorating.

#### ***Statements of Activities and Changes in Net Assets***

The statements of activities and changes in net assets present the results of the Board's operating activities over the course of the fiscal year and information as to how the net assets changed during the year. These statements show support received by the Board in the form of contracts or grants from governmental agencies, revenue from member states for research, technical staff support, policy and program development, membership dues and special project revenue. These statements show how support and revenue received by the Board were applied to various program and supporting expenses.

#### ***Statements of Cash Flows***

The statements of cash flows present the changes in cash and cash equivalents, resulting from operating, financing and investing activities. These statements present cash receipts and cash disbursements information without consideration of the earnings event, the date or period in which an obligation arises or the depreciation of capital assets.

## ***Notes to Financial Statements***

The notes to financial statements provide required disclosures and other information that are essential to a full understanding of the material data provided in the financial statements. The notes present information about the Board's organization and its accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

### ***Supplemental Information***

Supplemental information detailing Board expenses claimed from member states and expenditures of Federal awards is also provided.

### **Summary of Organization and Business**

The Board's organization is described in Note 1 to the financial statements.

### **Financial Analysis**

The following comparative condensed financial statements, reported for the Board as a whole, serve as key financial data for management, monitoring and planning.

#### ***Condensed Statements of Financial Position***

	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Current assets	\$ 4,561,572	\$ 4,282,840
Capital assets	<u>313,697</u>	<u>312,731</u>
Total assets	<u>\$ 4,875,269</u>	<u>\$ 4,595,571</u>
<b>Liabilities:</b>		
Current liabilities	<u>\$ 4,332,802</u>	<u>\$ 4,115,932</u>
Total liabilities	<u>\$ 4,332,802</u>	<u>\$ 4,115,932</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	\$ 313,697	\$ 312,731
Unrestricted	<u>228,770</u>	<u>166,908</u>
Total net assets	<u>\$ 542,467</u>	<u>\$ 479,639</u>

Total assets increased by \$279,698. This increase is primarily due to an increase in accounts receivable of approximately \$333,000 over the previous fiscal year related to the timing of progress billings and a decrease in cash of approximately \$51,000, related to a decrease in membership as well as a couple of state and territory appropriations outstanding at year-end.

Total liabilities increased by \$216,870. This increase in liabilities is primarily related to an increase in accounts payable related to the timing of receipt of several subrecipient invoices at the end of this fiscal year compared to the previous fiscal year, and is in line with the increase in accounts receivable.

Net assets increased by \$62,754 and are analyzed below in the condensed statements of activities and changes in net assets.

***Condensed Statements of Activities and Changes in Net Assets***

	<b>2011</b>	<b>2010</b>
<b>Support and revenue:</b>		
Support from member states	\$ 623,706	\$ 623,706
Grants and contracts	5,816,681	4,545,436
State subgrants on behalf of member states	10,708,225	10,901,787
Associate membership dues	82,500	75,000
Southeast Regional Carbon Sequestration membership dues	77,606	121,000
Special projects	<u>19,031</u>	<u>15,778</u>
Total support and revenue	<u>17,327,749</u>	<u>16,282,707</u>
<b>Expenses:</b>		
Grants, cooperative agreements and other projects	4,584,886	3,728,249
Subgrants to member states	10,708,225	10,901,787
State services and other programs	568,072	257,982
Operating expenses and indirect costs	<u>1,403,738</u>	<u>1,394,231</u>
Total expenses	<u>17,264,921</u>	<u>16,282,249</u>
Increase in net assets	<u><u>\$ 62,828</u></u>	<u><u>\$ 458</u></u>

During fiscal 2011, the expenditures of Federal awards on direct and pass-through programs were \$16,168,105 as detailed in the supplemental schedule of expenditures of Federal awards.

Overall, support and revenue and expenses related to grants, cooperative agreements and other projects increased from the prior year as a result of Phase III of the Southeast Regional Carbon Sequestration (SECARB) project ramping up and SECARB Phase II winding down.

**Financial Condition**

The Board's financial condition increased from fiscal 2010, and remains positive at year-end with a continuing adequate level of net current assets and net assets. Management believes the current financial condition, technical support staff capabilities and operating plans are well balanced.



## **Capital Assets and Debt Administration**

At the end of fiscal 2011, the Board had \$313,697 invested in capital assets, as detailed in Note 4 to the financial statements. The Board purchased property and equipment totaling \$19,073 during fiscal 2011.

The Board also has a line of credit in the amount of \$100,000 available through a financial institution as detailed in Note 5 to the financial statements. There were no borrowings under the line of credit agreement during fiscal 2011.

## **Budgetary Highlights**

Actual revenues for fiscal 2011 were not substantially different from the Board's budgeted revenues as reported in the Board's original 2011 budget. Actual expenses were also not substantially different from budgeted expenses per the original 2011 budget.

The executive committee of the Board at the behest of Joe Manchin, III, the Governor of West Virginia and Chairman of the Board decided to host a celebration to commemorate the 50<sup>th</sup> Anniversary of the Board. This meeting was held in September 2010 at the Greenbrier Resort in White Sulphur Springs, West Virginia.

**Southern States Energy Board**  
**(A Not-For-Profit Governmental Organization)**

**Statements of Financial Position**  
**June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 165,922	\$ 217,219
Accounts receivable, less allowance for doubtful accounts of \$30,000 in 2011 and \$55,297 in 2010	4,395,650	4,062,027
Prepaid expenses	<u>-</u>	<u>3,594</u>
Total current assets	4,561,572	4,282,840
Property and equipment, net	<u>313,697</u>	<u>312,731</u>
Total assets	<u><u>\$ 4,875,269</u></u>	<u><u>\$ 4,595,571</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 4,014,237	\$ 3,681,424
Accrued expenses	129,677	141,002
Accrued pension contribution	118,214	128,088
Deferred revenue	<u>70,674</u>	<u>165,418</u>
Total current liabilities	4,332,802	4,115,932
Net assets	<u>542,467</u>	<u>479,639</u>
Total liabilities and net assets	<u><u>\$ 4,875,269</u></u>	<u><u>\$ 4,595,571</u></u>

*See accompanying notes to financial statements.*

**Southern States Energy Board**  
**(A Not-For-Profit Governmental Organization)**

**Statements of Activities and Changes in Net Assets**  
**For the Years Ended June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
Support and revenue:		
Support from member states	\$ 623,706	\$ 623,706
Grants and contracts	5,816,681	4,545,436
State subgrants on behalf of member states	10,708,225	10,901,787
Associate membership dues	82,500	75,000
Southeast Regional Carbon Sequestration membership dues	77,606	121,000
Special projects	<u>19,031</u>	<u>15,778</u>
Total support and revenue	<u>17,327,749</u>	<u>16,282,707</u>
Expenses:		
Grants, cooperative agreements and other projects	4,584,886	3,728,249
Subgrants to member states	10,708,225	10,901,787
State services and other programs	568,072	257,982
Operating expenses and indirect costs	<u>1,403,738</u>	<u>1,394,231</u>
Total expenses	<u>17,264,921</u>	<u>16,282,249</u>
Excess of support and revenue over expenses	62,828	458
Net assets at beginning of year	<u>479,639</u>	<u>479,181</u>
Net assets at end of year	<u>\$ 542,467</u>	<u>\$ 479,639</u>

*See accompanying notes to financial statements.*

**Southern States Energy Board**  
**(A Not-For-Profit Governmental Organization)**

**Statements of Cash Flows**  
**For the Years Ended June 30, 2011 and 2010**

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	2011	2010
Cash flows from operating activities:		
Excess of support and revenue over expenses	\$ 62,828	\$ 458
Adjustments to reconcile excess of support and revenue over expenses to net cash used in operating activities:		
Depreciation	18,107	18,013
Gain on involuntary disposal of property and equipment	(11,420)	-
Provision for bad debts	63,988	25,297
Changes in assets and liabilities:		
Accounts receivable	(397,611)	(1,139,464)
Prepaid expenses	3,594	(3,594)
Accounts payable	332,813	801,523
Accrued expenses	(11,325)	(6,914)
Accrued pension contribution	(9,874)	20,037
Deferred revenue	(94,744)	66,418
Net cash used in operating activities	<u>(43,644)</u>	<u>(218,226)</u>
Cash flows from investing activities:		
Insurance proceeds	11,420	-
Purchase of property and equipment	<u>(19,073)</u>	<u>(10,698)</u>
Net cash used in investing activities	<u>(7,653)</u>	<u>(10,698)</u>
Net decrease in cash and cash equivalents	(51,297)	(228,924)
Cash and cash equivalents at beginning of year	<u>217,219</u>	<u>446,143</u>
Cash and cash equivalents at end of year	<u>\$ 165,922</u>	<u>\$ 217,219</u>

*See accompanying notes to financial statements.*



# **Southern States Energy Board**

## **(A Not-for-Profit Governmental Organization)**

### **Notes to Financial Statements**

#### **June 30, 2011 and 2010**

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#### **Note 1: Description of Organization and Summary of Significant Accounting Policies**

##### **Description of Organization**

Southern States Energy Board (the Board) is a not-for-profit organization serving as the regional representative of sixteen southern states and the U.S. territories of Puerto Rico and the Virgin Islands in energy and environmental matters. The Board provides research, technical staff support, policy and program development and implementation and information services encompassing all areas of energy and environmental quality.

Each member state is represented on the Board by its governor and a legislator from both the state House and Senate. Puerto Rico is represented by its governor and a legislator from its House and Senate. The Virgin Islands is represented by its governor and a legislator from its House. A Federal representative is appointed by the President of the United States of America.

The Board's support is apportioned among its members according to a formula specified in the compact legislation. The formula is based on each state or commonwealth's population, per capita income and an equal contribution share. Additional support for special projects is obtained from grants and cooperative agreements from the government and the private sector. Dues from an associate member program of corporate and other affiliations of the Board and SSEB Carbon Management Partnership/SECARB Industry Associates also provide support for the Board's projects.

Contracts from governmental agencies are generally based on total cost; other contracts are generally fixed fee contracts, on which the Board must absorb all costs incurred in excess of the contract amount. Contracts or grants from governmental agencies are subject to final government approval of total job cost, including allocated overhead.

##### **Use of Estimates in Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **Basis of Accounting**

The Board uses the accrual method of accounting. Under this method, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

The Board is a governmental organization as defined by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB); the Board is considered to be an instrumentality of the states and territories whereby the appointment (or approval) of a controlling majority of members of the governing board is made by officials of one or more state or local governments. As a governmental organization, the Board follows the accounting for not-for-profit entities as permitted by GASB.

## **Cash and Cash Equivalents**

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts (Note 2). The Board believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

## **Property and Equipment**

Purchases of property and equipment are recorded at cost net of accumulated depreciation. Property and equipment are depreciated using the straight-line method. The estimated useful lives of the assets are as follows: building and improvements, thirty one and one-half years; computer equipment, five years; and furniture and fixtures and office equipment, five to seven years.

## **Impairment**

Long-lived assets, such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Board evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no property and equipment was impaired as of June 30, 2011 or 2010.

## **Recognition of Revenue and Expenses**

Member states' support dues are generally invoiced at the end of each fiscal year and are recognized as revenue in that fiscal year. During 2011 and 2010, the Board wrote off state appropriations receivable amounting to \$63,988 and \$25,297, respectively. Related to these write offs, the Board recognized revenue for these receivables and a corresponding bad debt expense which is included in operating expenses and indirect costs in the accompanying financial statements.

Associate membership dues are recognized over the period to which the dues relate.

The Board receives pass-through subrecipient funding for various states under grants and cooperative agreements provided by the Federal government. Revenue and the related expense amounts are recognized upon the filing of reimbursement requests by the respective states and U.S. territories upon completion of the review process by the Board's personnel. Amounts due from the Federal government at June 30, 2011 and 2010 are described in Note 3. Amounts due to the states and U.S. territories associated with recognized revenues and expenses are reflected in accounts payable; such amounts totaled \$1,912,292 at June 30, 2011 and \$3,051,746 at June 30, 2010.

Revenue from non pass-through grants and cooperative agreements is recognized as the services are performed.

Special projects revenue is recognized in the year the expense is incurred.

All identifiable expenses relating to the performance of a contract are charged directly to the specific contracts. All other costs and expenses incurred are allocated to each contract based on a provisional overhead rate per direct labor dollar. Such overhead costs are included in expenses by program category in the accompanying statements of activities and changes in net assets.

## **Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Operating expenses and indirect costs are allocated among the programs and supporting services benefited based on guidelines promulgated by the United States Department of Energy (DOE) and other government agencies and pass-through entities providing support to the Board.

## **Subsequent Events**

The Board has evaluated for subsequent events between June 30, 2011 and October 3, 2011, the date the financial statements were issued, and has concluded that there were no recognized subsequent events or unrecognized subsequent events requiring disclosure.

## **Income Taxes**

The Board qualifies as a tax-exempt organization under Section 501(c)(1) of the Internal Revenue Code. In the opinion of management, the Board had no significant unrelated business taxable income during fiscal 2011 or 2010. Accordingly, no provision or benefit for income taxes has been made in the accompanying financial statements.

The Board adopted the provisions of FASB Accounting Standards Codification (ASC), *Income Taxes*. This ASC requires that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of this ASC had no impact on the Board's statements of financial position or statements of activities and changes in net assets. The Board does not believe its financial statements include any material uncertain tax positions. The Board is no longer subject to Federal and state income tax examinations by tax authorities for years prior to 2008.

## **Reclassification**

Certain prior year amounts have been reclassified to conform with current year presentation. These reclassifications had no effect on previously reported results of operations.

## **Note 2: Cash Deposits**

Bank balances of the Board's cash deposits are categorized to give an indication of the level of risk assumed by the Board at June 30 as follows:

- Category 1 - Insured or collateralized with securities held by the Board or by its agent in the Board's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.
- Category 3 - Uncollateralized.

	<b>2011</b>	<b>2010</b>
Category 1	\$ 300,593	\$ 197,446
Category 2	-	-
Category 3	<u>86,114</u>	<u>-</u>
Total cash deposits	<u>\$ 386,707</u>	<u>\$ 197,446</u>

Cash and cash equivalents in the accompanying statements of financial position reflect the reconciled bank balances for all cash accounts as of June 30, 2011 and 2010.

### **Note 3: Accounts Receivable**

Accounts receivable at June 30 are summarized as follows:

	<b>2011</b>	<b>2010</b>
Federal grants and contracts	\$ 4,326,506	\$ 4,040,297
State appropriations receivable	94,011	50,894
Other receivables	<u>5,133</u>	<u>26,133</u>
	4,425,650	4,117,324
Less allowance for doubtful accounts	<u>30,000</u>	<u>55,297</u>
	<u>\$ 4,395,650</u>	<u>\$ 4,062,027</u>

### **Note 4: Property and Equipment**

Property and equipment at June 30 are summarized as follows:

	<b>2011</b>	<b>2010</b>
Land	\$ 61,500	\$ 61,500
Building and improvements	377,030	377,030
Computer equipment	28,732	103,908
Furniture and fixtures	273,297	264,031
Office equipment	<u>16,391</u>	<u>25,996</u>
	756,950	832,465
Less accumulated depreciation	<u>443,253</u>	<u>519,734</u>
	<u>\$ 313,697</u>	<u>\$ 312,731</u>

Depreciation expense totaled \$18,107 in fiscal 2011 and \$18,013 in fiscal 2010.

## **Note 5: Line of Credit**

The Board has a \$100,000 operating line of credit agreement with a financial institution. Borrowings under the line of credit are secured by substantially all assets of the Board and carry interest at the financial institution's prime rate (3.25% at June 30, 2011). There were no outstanding borrowings under the agreement at June 30, 2011 or 2010. The agreement expires on December 15, 2011, at which time the Board may renew the line of credit agreement.

The Board is required to adhere to certain financial and nonfinancial covenants under the line of credit agreement.

## **Note 6: Pension Plan**

The Board provides a defined contribution pension plan which covers eligible employees and is administered by the Board's management. The plan provides for an annual contribution by the Board equal to 10% of each participant's annual compensation. The total required contribution to the plan was \$118,214 in fiscal 2011 and \$128,088 in fiscal 2010; such amounts are reflected as accrued pension contribution in the accompanying statements of financial position.

## **Note 7: Commitments and Contingencies**

The Board leases certain equipment under noncancelable agreements accounted for as operating leases. The following is a schedule by year of future minimum rental payments under operating leases as of June 30, 2011:

2012	\$ 15,107
2013	14,899
2014	<u>13,860</u>
	<u>\$ 43,866</u>

Rental expense under all operating leases totaled \$27,159 in fiscal 2011 and \$34,334 in fiscal 2010.

## **Grants Payable**

The Board has entered into conditional subrecipient contracts with member states and other contractors to achieve certain contract and federal awards program objectives. At June 30, 2011, these subrecipient commitments totaled \$14,169,272 of which \$6,017,455 was committed to member states. At June 30, 2010, these subrecipient commitments totaled approximately \$11,679,412, of which \$10,031,588 was committed to member states.

Such contracts are ultimately subject to the availability of funding from certain Federal agencies (Note 1), and the periods covered by some of these contracts extend beyond the Board's current fiscal year end. Accordingly, these commitments have not been reflected in the accompanying financial statements given their conditional status.

## **Government Grants**

From time to time, the Board's contracts from governmental agencies can be audited by the DOE or other awarding agencies. Such audits could result in claims against the resources of the Board. No provision has been made for any liabilities which may arise from such audits since the amounts, if any, cannot be determined as of June 30, 2011 and 2010.



**Litigation**

The Board from time to time may be a defendant in legal actions generally incidental to its business. Although it is difficult to predict the outcome of any potential or threatened litigation, management believes that any ultimate liability will not materially affect the financial position and results of operations of the Board.

**Note 8: Concentrations**

During fiscal 2011 and 2010, approximately 94% of revenue was derived from grants or contracts with the DOE and approximately 91% and 92% of receivables were due from the DOE as of June 30, 2011 and 2010, respectively.

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## **Supplemental Information**

**Southern States Energy Board**  
**(A Not-For-Profit Governmental Organization)**

**Schedule of Expenses, Adjustments and Claimed Costs**  
**For the Year Ended June 30, 2011**

Accounts	Expenses per General Ledger	Adjustments	Claimed Cost
Salaries and wages	606,131	\$ -	\$ 606,131
Technical/project staff costs	66,585	-	66,585
Temporary staff services	18	-	18
Financial/legal costs	74,577	-	74,577
FICA	78,814	-	78,814
Group insurance	138,450	-	138,450
Pension plan	118,814	-	118,814
Travel	606	-	606
Conference costs	5,047	-	5,047
Printing service	7	-	7
Postage and delivery	2,723	-	2,723
Telephone	12,621	-	12,621
Other project expenses	224	-	224
Insurance	13,965	-	13,965
Computer services	1,672	-	1,672
Equipment rental	4,604	-	4,604
Computer software	1,878	-	1,878
Office supplies	6,728	-	6,728
Publications and subscriptions	4,757	-	4,757
Printing equipment and supplies	22,555	-	22,555
Property tax	73	-	73
Utilities	12,595	-	12,595
Maintenance and repairs	25,266	-	25,266
Maintenance contracts	2,017	-	2,017
Miscellaneous	11,506	-	11,506
50th anniversary meeting	109,093	-	109,093
Penalties expense (1)	317	(317)	-
Bad debt expense (1)	63,988	(63,988)	-
Depreciation	18,107	-	18,107
	<u>\$ 1,403,738</u>	<u>\$ (64,305)</u>	<u>\$ 1,339,433</u>
Overhead base, direct labor			<u>\$ 660,988</u>
Overhead pool			<u>\$ 1,339,433</u>
Overhead rate			<u>2.03</u>

Notes:

(1) Expense unallowable as per OMB Circular A-122

*See independent auditors' report and accompanying notes to financial statements.*

**Southern States Energy Board**  
**(A Not-for-Profit Governmental Organization)**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

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<b>Federal Grantor/Pass-through Grantor</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Energy:</b>		
Direct Programs:		
Fossil Energy Research and Development	81.089	\$ 13,658,851
Transport of Transuranic Waste to the Waste Isolation Pilot Plant	81.106	1,892,955
ARRA - Geologic Sequestration Training and Research	81.133	359,683
Regional Effort to Promote the Increased Use of U.S. Clean Coal and Energy Technologies Collaboration and Transfer	81.019	215,474
Consortium for Advanced Simulation of Light Water Reactors (CASL) Project to Establish a Communications, Policy and Economic Development Council (CPEDC)	81.121	<u>41,142</u>
Total direct programs		<u>16,168,105</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 16,168,105</u>

*See independent auditors' report and accompanying notes to financial statements.*

**Southern States Energy Board**  
**(A Not-for-Profit Governmental Organization)**

**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

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**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southern States Energy Board and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B: Subrecipients**

The Board provided federal awards to member state subrecipients as follows:

<b>Program Title</b>	<b>Federal CFDA Number Provided</b>	<b>Amount</b>
Fossil Energy Research and Development	81.089	\$ 9,150,652
Transport of Transuranic Waste to the Waste Isolation Pilot Plant	81.106	<u>1,557,574</u>
		<u>\$ 10,708,226</u>

**Note C: Cost sharing**

During fiscal 2011, the Board incurred cost sharing expenses related to the Department of Energy contracts totaling \$57,051.

*See independent auditors' report and accompanying notes to financial statements.*





**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Members of  
Southern States Energy Board

We have audited the financial statements of Southern States Energy Board (the Board) (a not-for-profit governmental organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Members, management, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bennett Thrasher P.C.*

October 3, 2011

**Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Members of  
Southern States Energy Board

**Compliance**

We have audited Southern States Energy Board's (the Board) (a not-for-profit governmental organization) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2011. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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### Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Members, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bennett Thresher P.C.*

October 3, 2011

**Southern States Energy Board**  
**(A Not-for-Profit Governmental Organization)**

**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

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**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No.

Significant deficiencies identified? None reported.

Noncompliance material to financial statements noted? No.

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? No.

Significant deficiencies identified? None reported.

Type of auditors’ report issued on compliance for major programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? No.

Major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
81.089	Fossil Energy Research and Development
81.133	ARRA – Geological Sequestration Training and Research

Dollar threshold used to distinguish between type A and type B programs: \$485,043.

Auditee qualified as low-risk auditee? Yes.

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.



**Southern States Energy Board**  
**(A Not-for-Profit Governmental Organization)**

**Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2011**

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Findings:       None

Questioned costs:       None

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1. The information contained in this e-mail is privileged, confidential and intended only for the use of the management of Southern States Energy Board (the Board) and should not be altered. This e-mail was created on October 7, 2011 and Bennett Thrasher PC will maintain a duplicate copy pursuant to our data retention policies. Additional copies may be requested by reference to its unique identification number 02806.
2. With regard to the electronic dissemination of required communications published electronically on your (or any other) Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.
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**Southern States Energy Board**  
**(A Not-For-Profit Governmental Organization)**

**Required Communications**

**June 30, 2011**



# Southern States Energy Board

## Required Communications

June 30, 2011

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**To the Members of  
Southern States Energy Board**

In connection with our audit of the financial statements of Southern States Energy Board (the Board) as of and for the year ended June 30, 2011, we are summarizing certain communications required by our professional standards. Our auditors' report was dated October 3, 2011 and we have not performed any audit procedures subsequent to that date. Therefore, these communications do not reflect any changes or events that may have occurred subsequent to the date of our auditors' report.

This report is intended solely for the information and use of the Members, management and others within the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Bennett Thrasher P.C.*

October 3, 2011

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# Southern States Energy Board

## Required Communications

June 30, 2011

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Our professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated July 29, 2011, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We are responsible for performing the audit in accordance with generally accepted auditing standards and that the audit is designed to provide reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud or other illegal acts may exist and not be detected by us. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

We are responsible for communicating significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Generally accepted auditing standards do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

As part of our audit, we considered the internal control of the Board. Such considerations were solely for the purpose of determining and designing our audit procedures and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on the Board's major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with U.S. Office of Management Budget (OMB) Circular A-133 (OMB Circular A-133).

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* applicable to its major Federal program for the purpose of expressing an opinion on the Board's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Board's compliance with those requirements.

## **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Board are described in Note 1 to the financial statements, which we believe are appropriate. We noted no transactions entered into by the Board during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you; nor did we note any transactions for which there is a lack of authoritative guidance or consensus.

Appendix A summarizes recent developments in accounting and auditing.

## **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation expense and the determination of the allowance for doubtful accounts reflecting management's assessment of collectability of outstanding accounts receivable.

Management's estimate of the depreciation expense was based on the estimated useful lives of property and equipment. Management's estimate of the allowance for doubtful accounts was based on an analysis of the aging and history of the Board's accounts receivable balance. We evaluated the key factors and assumptions used to develop the depreciation expense estimate and the allowance for doubtful accounts estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

## **Significant Audit Adjustments**

For purposes of this report, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Board that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

We proposed and the Board posted an entry to write-off state appropriates receivable amounting to \$63,988. Related to these receivables, the Board recognized revenue and a corresponding bad debt expense which is included in operating expenses and indirect costs in the accompanying financial statements. There were no other audit adjustments proposed by us that were not recorded by the Board.

## **Significant Issues Discussed with Management**

We had no significant issues discussed with management during the course of our audit.

## **Disagreements with Management**

For purposes of this report, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Representation Requested from Management**

Our professional standards require that a management representation letter be obtained from management at the conclusion of our audit and is kept as part of our working papers. The management representation letter states certain matters that we request be acknowledged by management in writing. Appendix B includes a copy of the management representation letter dated October 3, 2011, received from management.

## **Auditor Independence**

Our professional standards require that we are independent from audit clients in order to maintain objectivity and integrity, and we confirm that there are no known matters of which we are aware that would call into question our independence from the Board.

## **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Board’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants and we were not contacted by other accountants.

## **Issues Discussed Prior to Retention as Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the Board’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit. We appreciate the high level of support and responsiveness management provided as we completed our engagement.

\* \* \* \* \*

**Summary of Recent Developments in Accounting and Auditing  
June 30, 2011**

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**Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements***

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. Specifically, ASU 2010-06 requires:

- A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and
- In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements.

In addition, ASU 2010-06 clarifies the requirements of the following existing disclosures:

- For purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities; and
- A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements.

ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early application is permitted.

**Proposed Accounting Standards Update for Leases**

This exposure draft proposes that lessees and lessors should apply a right-of-use model in accounting for all leases (including leases of right-of-use assets in a sublease) other than leases of biological and intangible assets, leases to explore for or use natural resources and leases of some investment properties. For leases within the scope of the proposed guidance, this means that:

- A lessee would recognize an asset representing its right to use the leased ('underlying') asset for the lease term (the 'right-of-use' asset) and a liability to make lease payments.
- A lessor would recognize an asset representing its right to receive lease payments and, depending on its exposure to risks or benefits associated with the underlying asset, would either:
  - Recognize a lease liability while continuing to recognize the underlying asset (a performance obligation approach); or
  - Derecognize the rights in the underlying asset that it transfers to the lessee and continue to recognize a residual asset representing its rights to the underlying asset at the end of the lease term (a derecognition approach).

Assets and liabilities recognized by lessees and lessors would be measured on a basis that:

- Assumes the longest possible lease term that is more likely than not to occur, taking into account the effect of any options to extend or terminate the lease.
- Uses an expected outcome technique to reflect the lease payments, including contingent rentals and expected payments under term option penalties and residual value guarantees, specified by the lease.
- Is updated when changes in facts or circumstances indicate that there would be a significant change in those assets or liabilities since the previous reporting period.

For contracts that combine service and lease components, the right to receive lease payments and the liability to make lease payments would exclude payments arising from distinct service components and for the draft IFRS, non-distinct service components for lessors that apply the derecognition approach.





October 03, 2011

Bennett Thrasher PC  
One Overton Park  
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Atlanta, Georgia 30339

We are providing this letter in connection with your audits of the statements of financial position of Southern States Energy Board (the Board) as of June 30, 2011 and 2010 and the related statements of activities and changes in net assets and cash flows for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets and cash flows of the Board in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets and cash flows in conformity with GAAP. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with GAAP and include all assets and liabilities under the Board's control.
2. We have made available to you all:
  - a. Financial records and related data.
  - b. Minutes of the meetings of directors, trustees and committees of directors or trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared (all significant board and committee actions are included in such summaries). The following represents a complete list of all such minutes.

September 16, 2010, Southern States Energy Board 50<sup>th</sup> Annual Meeting  
November 1-2, 2011, Southern States Energy Board Staff Briefing

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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4. There are no material transactions that have not been properly recorded in the accounting records underlying the aforementioned financial statements or the schedule of expenditures of federal awards.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Board involving:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Board received in communications from employees, former employees, regulators or others.
8. The Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities or net asset balances.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Board is contingently liable.
10. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

There are no such estimates that may be subject to material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements.
11. We are responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of the financial statement amounts.
12. Southern States Energy Board is an exempt Board under Section 501(c)(1) of the Internal Revenue Code. There are no activities of which we are aware that would jeopardize the Board's tax-exempt status, and there are no activities subject to tax on unrelated business income or excise or other tax. All required filings with tax authorities are up-to-date.

13. There are no:

- a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Accounting Standards Codification (ASC) 450, *Accounting for Contingencies*.
- c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450.
- d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.

14. The Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.

15. As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

16. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.

17. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

18. Provisions for uncollectible receivables have been properly identified and recorded.

19. With respect to federal award programs:

- a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Boards*.
- b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidiaries, insurance, food commodities, direct appropriations, and other assistance.

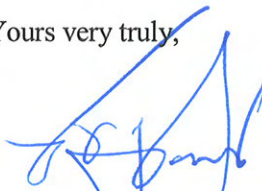
- c. We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations and the provisions of contract and grant agreements that could have a material effect on federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly alter internal control.
- e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program.
- f. We have received no requests from a federal agency to audit one or more specific program as a major program.
- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the OMB Circular A-133, *Compliance Supplement*, relating to federal awards.
- h. There are no questioned amounts or any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews, other than what is disclosed in the financial statement and compliance report.
- i. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB A-122, *Cost Principles for Nonprofit Organizations*, and Subpart C, "Cost Sharing and Matching," of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*.
- j. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- k. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l. Federal program financial reports and claims for advances and reimbursements are supported on the books and records from which the basic financial statements have been prepared and are prepared on a basis consistent with the schedule of expenditures of federal awards.

- m. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency of pass-through entity, as applicable.
  - n. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulation and have met the requirements of OMB Circular A-133.
  - o. We have charged costs to federal awards in accordance with applicable cost principles.
  - p. We have taken appropriate action on a timely basis after receipt of subrecipients' auditor reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreement to ensure that subrecipients have taken the appropriate and timely corrective action on the findings.
  - q. We have considered the results of subrecipient audits in making any necessary adjustments to our books and records.
  - r. We are responsible for and will accurately prepare the auditee section of the Data Collection Form as required by OMB Circular A-133 and we are responsible for preparing and implementing a corrective action plan for each audit finding.
  - s. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from service organizations relating to noncompliance at service organizations.
20. We have not been involved in any litigation and have only incurred legal expenses relating to retainer fees.
21. The Board's \$100,000 line of credit expires in December 2011, at which time the agreement will be reviewed for extension. As of June 30, 2011, there were no outstanding borrowings on the line of credit.
22. The Board has subrecipient contracts with member states and other contractors to achieve the contract and federal award program objectives. At June 30, 2011, these subrecipient commitments totaled \$14,169,272 of which \$6,017,455 was committed to member states. At June 30, 2010, these subrecipient commitments totaled \$11,679,412 of which \$10,031,588 was committed to member states.
23. We believe that all material expenditures that have been deferred to future periods will be recoverable.
24. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.



25. The Board's contribution to the defined contribution pension plan was \$118,214 for the year ending June 30, 2011 and \$128,088 for the year ending June 30, 2010.

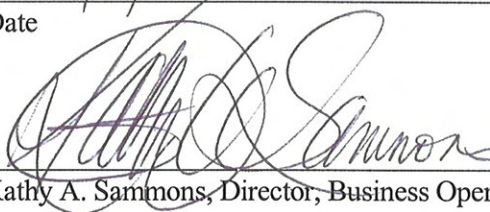
Yours very truly,



Kenneth J. Nemeth, Executive Director

10/3/2011

Date



Kathy A. Sammons, Director, Business Operations

10/3/2011

Date